



HOTAI FINANCE CORPORATION

2023 ESG Report



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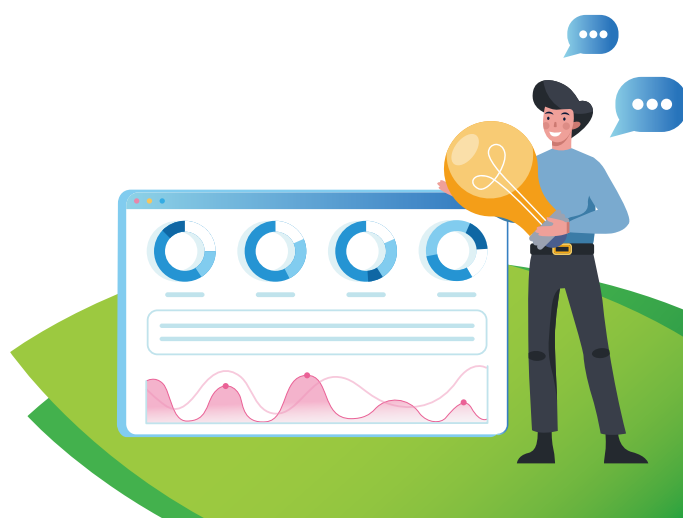
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About this report

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► Preparation standards

This report has been prepared in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" and the principles of the 2021 version of the Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiatives (GRI).

● References for the preparation

Publishing organization	Standard framework/regulations
Global Sustainability Standards Board, GSSB	<ul style="list-style-type: none"> • GRI Universal Standards 2021 • GRI Topic Standards 2016, 2018 and 2020
International Sustainability Standards Board, ISSB	<ul style="list-style-type: none"> • Consumer finance industry standards, Sustainability Accounting Standards Board, SASB • General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) • Climate-related Disclosures (IFRS S2) * Task Force on Climate-related Financial Disclosures (TCFD) are included in Framework of IFRS S2
International Integrated Reporting Council, IIRC	<ul style="list-style-type: none"> • The International Framework, IR
Taiwan Stock Exchange Corporation	<ul style="list-style-type: none"> • Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies • Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies
AccountAbility, the U.K.	<ul style="list-style-type: none"> • AA1000 Materiality, inclusiveness, responsiveness and impact of the accountability principle standard
The United Nations	<ul style="list-style-type: none"> • UN Sustainable Development Goals, SDGs • The UN Global Compact



► Report coverage period

The data and content disclosed are mainly for the period from January 1 to December 31, 2023, which is consistent with the 2023 Consolidated Financial Statements, with some performance data backdated to information prior to 2019 or postdated to the most recent information in 2023.

► Reporting scope and boundaries

The scope of information described in this report covers each business locations of Hotai Finance Co., Ltd. (hereinafter referred to as HFC) in Taiwan. The main information is based on HFC. However, certain information includes major subsidiaries (Hoyun International Lease Co., Ltd., Hoing Mobility Service Co., Ltd., He Jing Co., Ltd., and He Jun Energy Co., Ltd.). For details, please refer to the corresponding chapter.

In this report, the Company's automobile, scooter, and equipment installment payment business is described as "loan" or "lending" or similar easy-to-understand terminology 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.

► 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. The data references and reporting boundaries of the 2023 ESG report have not yet been aligned with the consolidated financial statements as they do not include all consolidated subsidiaries. Nonetheless, the coverage will be gradually increased in the future.

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.



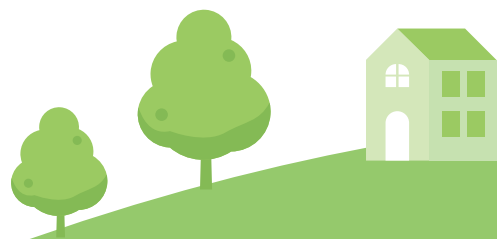
Financial Reports

<https://www.hfcfinance.com.tw/zh-tw/investor/quarterly-finance/2023>



2023 Annual Report of Hotai Finance Co., Ltd.

<https://www.hfcfinance.com.tw/zh-tw/investor/shareholder-data>



► Reporting quality management process

Planning and implementation	<p>The information in the report was provided by various units of HFC, and the overall planning of the chapter structure was carried out by members group of the ESG committee.</p>
Review and confirmation	<p>The ESG Committee and department heads review the contents of each chapter and the correctness of information, review ESG performance and strategic objectives with the board of directors, and implement the annual verification arrangement in accordance with the "Sustainable Development Best Practice Principles" in order to ensure that the quality of the report can be verified by a third party.</p>
Quality assurance	<p>The British Standards Institution (BSI) 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 AA1000 Moderate Assurance Type I.</p> <p>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. 3000 "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 Revised). The assurance report is attached as an appendix to this report.</p>
Publication of the report	<p>Upon completion of the third-party verification, the report is submitted to the board of directors and released in June of each year after the chairperson of the board of directors confirms the finalization of the issuance.</p>



► Release

Every year, Hotai Finance Co., Ltd. publishes the ESG Report in Chinese and English, which are available for download from the Company's website.

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

Current release: June 2024

Previous release: June 2023

► Feedback

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

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



Message from Management

GRI 2-22

► Message from the Chairperson

The year 2023 is a time when the industry is on the road to recovery from the pandemic. However, the global economy is full of unpredictable challenges. Inflationary pressures persist; the high interest rate environment has yet to be lifted; and uncertainties such as geopolitical tensions continue to challenge the operational resilience of businesses. To cope with the changing and unchanging market environment, HFC, as a leading brand in Taiwan's automobile finance industry, adheres to the business philosophy of "customers are the priority, and expertise is fundamental" and continues to innovate its products and services. It proactively responds to the global wave of digital technology and sustainable governance, optimizes its business structure in all aspects, and creates greater value for its stakeholders!

HFC's 2023 consolidated revenue exceeded \$28.6 billion, a record high again, with an annual growth of 25.9%, and its consolidated net income reached \$4.09 billion and the EPS after tax was \$6.41, which shows an outstanding operating performance. At the same time, HFC also shares the operating results with its employees, and endeavors to build a happy workplace; the average salary for full-time employees not in managerial positions reached \$1.347 million in 2023, an increase of 10.7% compared to the previous year. In terms of revenue, profitability, employee salaries and benefits, and sustainable performance, HFC has repeatedly created outstanding performance and has been selected as a constituent of the TWSE Corporate Governance 100 Index for three consecutive years. In 2023, it won 11 awards and certifications at home and abroad!

As HFC enters its third decade (HFC 3.0), it has deepened its business operations while expanding into new businesses by transforming from finance and leasing to investing in the development of green energy. In 2023, HFC officially entered Southeast Asia by investing in Ly Hour Leasing PLC, Cambodian car leasing company, which can be regarded as HFC's beachhead to open up the ASEAN market. At the same time, the introduction of HFC's business expertise and technology capabilities is expected to have a positive effect on the local economy and business environment, and to jointly create new business opportunities.

In response to the global vision of net-zero emission reduction, HFC established He Jun Energy in 2022, and is committed to the development of all-round green energy business by adhering to the three major directions of "prioritizing energy creation; accelerating energy storage; synchronizing charging and electricity sales." Although it has been established for less than two years, the management team has accelerated the expansion of green energy field with the spirit of "start late but arrive first." and won the recognition of 2023 Business Weekly Carbon Competitiveness Top 100!

In terms of the solar power plant business, He Jun Energy continues to expand its scale and power generation efficiency. Up to 2023, its self-built and acquired power plants have been operated in 211 sites. The total number of contracted and under-construction sites has reached 106, with a total capacity of over 214 MW. In addition, the energy storage system is a key solution for a stable energy supply. In 2023, He Jun Energy also completed its first energy storage system with installed capacity of 2MW; since September, it has participated in the power trading platform and provided the electricity frequency modulation and operating service for the entire Taiwan, thus contributing to the stable supply of electricity in Taiwan. On the other hand, in response to the trend of low-carbon transportation, He Jun Energy established a new charging pile brand, "EVRun," in 2023 to link up the industry supply chain, develop multiple fields through cross-border cooperation, and steadily position itself in the charging pile market. Charging piles have been installed in department stores, office buildings, Toyota/Lexus dealerships, etc. By the end of the year, the number of piles in operation had reached 80, providing sustainable and convenient services to car owners. In the future, HFC will continue to invest in the development of all aspects of green energy business, and strive for the sustainability of the earth.

As the changes and influence of digital technology on social and economic development are becoming more and more obvious, HFC has also proactively introduced digital technology into its products, services and operation management to accelerate operational efficiency and service efficiency, to drive the transformation and upgradation of the Company, and to further enhance the Company's competitiveness. Looking to the future, HFC will continue to break through the framework, link up with more partners to create a positive cycle of goodness, fulfill its corporate social responsibility, implement social care, and practice diversified and innovative sustainable actions, with the aim of creating greater contributions in all aspects of ESG!

HOTAI FINANCE CO., LTD.
Chairperson

劉源森



► Message from the General Manager

HFC believes that the purpose of business operation is to create value for all stakeholders; thus, in this process, the resilience and competitiveness of sustainable operation will be continuously enhanced. As the world's focus on ESG grows, HFC has not only aligned itself with international standards in terms of sustainable governance, such as SASB, TCFD and GRI in terms of sustainable governance, but has also promoted diversified and innovative action plans in conjunction with its own industry, and has endeavored to take care of ESG sustainable development while pursuing a high level of EPS.

In terms of practicing environmental sustainability, HFC has exceeded regulations by completing a greenhouse gas inventory of its subsidiaries in the consolidated financial statement and obtaining third-party inspections in 2023, which demonstrates the Company's commitment to sustainable development. At the same time, the Company has utilized its financial influence by signing a three-year \$29.5 billion sustainable syndicated loan agreement with 11 banks in 2023, which has resulted in a total of \$68.8 billion over the past three years, and is expected to play a key role as a driving force for sustainable transition.

In response to the global 2050 net zero goal, HFC has been proactively laying out the development of green energy business. Its subsidiary, He Jun Energy, is in its second year of establishment, and has achieved excellent results in the development of energy creation, energy storage and energy charging. As of the end of 2023, the number of metered solar energy farms reached 211; the new "EVRun" brand of charging piles was set up and the number of piles in operation reached 80; the first energy storage system with a capacity of 2MW was completed, and we are committed to providing various green energy and sustainable solutions.

"Biodiversity" is the next ESG issue to be emphasized globally after net-zero carbon emissions, and it is also a key indicator for the balanced development of the earth's ecosystem. In 2023, HFC became the first enterprise to adopt Zhanghe Wetland in New Taipei City. Through the public-private partnership model, we jointly promoted the environmental protection program and called on more than 100 employees to participate in volunteer actions, which resulted in the removal of more than 200 kilograms of invasive species.

To fulfill corporate social responsibility, HFC promotes the Motorcycle Road Safety Program in conjunction with its own industry, and conveys the concept of "Motorcycle riding should be trained and not count on luck." In 2023, the scale of the program was expanded to the whole Taiwan, and together with the Highway Bureau of the Ministry of Transportation and Communications and seven supervisory offices throughout Taiwan, the program subsidizes the cost of motorcycle driver training courses for the public. At the same time, we also went into the campus to organize the "Road Safety Video Competition". For the first time, more than 18 schools and more than 100 students created a total of 38 creative road safety promotional videos. HFC cooperates with partners to build a road safety ecosystem and is committed to contributing to traffic safety.

Employee engagement is the key to building a sustainable corporate culture. As HFC's ESG Award enters its second year, the theme for 2023 is "Social Inclusion." 35 sustainability proposals have been created through inter-departmental collaboration, so that sustainability ideas can be practiced into concrete actions. HFC has established a comprehensive volunteer participation system that combines performance evaluation and reward system to encourage employees to participate in volunteer activities. In 2023, the number of participants reached a new high of 2,861, and the cumulative number of participation hours also reached 12,626.5.

With the outstanding achievements in the economic performance, corporate operations, and sustainability performance, HFC even stood out from among thousands of TWSE/TPEX listed companies in 2023 and were selected as one of the "Taiwan Best-in-Class 100" by the Taiwan Institute of Directors.

With the rapid development of artificial intelligence in recent years, technological soft power has become a key indicator of corporate resilience. Looking into the future, HFC will continue to promote the application of digital technology in management, product services, and sustainable actions, as well as enhance data security and privacy protection, thereby moving towards the sustainability vision of co-creation, co-benefits, and win-win results.

HOTAI FINANCE CO., LTD.
General manager

林彦良



2023 ESG highlights performance

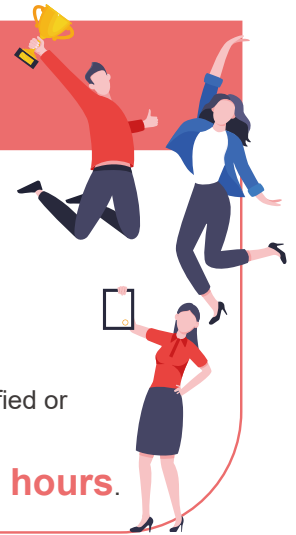
Environment

- HFC and all subsidiaries in the consolidated financial statements have completed the ISO 14064-1:2018 organizational GHG inventory.
- The amount of sustainable purchases amounted to **\$20.21 million**.
- The amount of electric/hybrid electric vehicle and electric scooter projects undertaken reached **NT\$16.567 billion**.
- The cumulative amount of renewable energy projects undertaken from 2019 to 2023 reached **NT\$893 million**.
- Paperless service can save nearly **26.85 million** papers a year



Society

- The total amount of inclusive services provided reached **NT\$12.296 billion**.
- The average salary for non-managerial full-time employees reached **NT\$1.347 million**.
- Accumulated **17,269 hours** of employee training
- Employee satisfaction response rate was **100%**; 91.6% of all employees were satisfied or extremely satisfied with the Company as a whole.
- The total number of volunteers reached **2,861 person-times** for **12,626.5 hours**.



Governance

- Passed Taiwan Intellectual Property Management System (**TIPS**) validation
- Passed **ISO 27001:2013** information security management certification
- Received "Long-term twAA- and Short-term twA-1+" ratings from Taiwan Ratings for **17** consecutive years.
- Received long term BBB and short term A-2 ratings from Standard & Poor's (S&P) for **4** consecutive years



Honor and recognition

Honor	Description	Organizer
Top 20% in the 9th Corporate Governance Evaluation	4 consecutive years	臺灣證券交易所
As a constituent of the TWSE Corporate Governance 100 Index	Selected for 3 consecutive years	臺灣指數股份有限公司 TAIWAN INDEX PLUS 指數創新·加值創富
2023 Taiwan Best-in-Class 100	Selected for the first time Earning recognition for the operating results and ESG performance	台灣董事學會 Taiwan Institute of Directors
Talent Quality-management System (TTQS) Gold medal	The talent development strategy and achievements are officially recognized by the country	
Asia Responsible Entrepreneurship Awards (AREA) 2023 Investment in People	The sustainability highlights project was recognized by AREA for 2 consecutive years	
2023 Taiwan Corporate Sustainability Awards (TCSA) Corporate Sustainability Report Awards Gold Award	The report won the gold award for 2 consecutive years	台灣企業永續獎執委會 Taiwan Corporate Sustainability Awards Executive Committee
2023 TSAA Taiwan Sustainable Action Award Social Inclusion Bronze Award	Received the award for the first time Employees highly engaged in volunteer activities is highly recognized	台灣企業永續獎執委會 Taiwan Corporate Sustainability Awards Executive Committee
Third Prize of the BuyingPower Social Innovation Procurement Award , Small and Medium Enterprise and Startup Administration, MOEA 2023	Supporting goods of social innovation organizations Purchasing more than one million dollars of products for responsible consumption	經濟部中小及新創企業署 SMALL AND MEDIUM ENTERPRISE AND STARTUP ADMINISTRATION MINISTRY OF ECONOMIC AFFAIRS
2023 Business Weekly Carbon Competitiveness Top 100	Selected for 2 consecutive years The carbon productivity is highly competitive	
Selected for the PwC Sustainability Awards 2023	Received the award for the first time Conveying financial influence with video stories	資誠 Taiwan Creativity Week 台灣創意週

About HFC

GRI 2-1、2-6

Company basic information

Company Name	Hotai Finance Co., Ltd.
Industry	Other listed companies (same as the information disclosed on the 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	1,183 people
Operating revenues	NT\$28.660 billion
Total assets	NT\$312.140 billion
Total equity	NT\$39.995 billion

Products and services



Business activities

- 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
- No sales of prohibited products or services in specific markets



Business Locations

Taiwan and China
Read online:

[Taiwan service locations](#)

Supply chain



Description of supply chain

- 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

- 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

- Signing installment payment contracts with customers
- Signing strategic alliance agreements with financing companies

Company history

1999

- Hotai Finance Co., Ltd. incorporated

2007

- Expand the mainland market: established Hoyun International
- 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

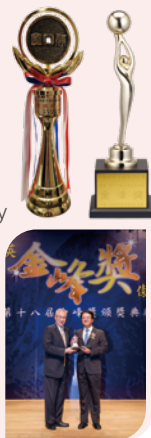
- Awarded the 12th Golden Torch Award as the top 10 excellent companies by the Outstanding Enterprise Manager Association

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 at Businessmen's Festival


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 Corporatio


2020

- Entered into the automobile and motorcycle sharing business
- 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)

2021

- Established a subsidiary for heavy vehicle installment payment business, "He Jing."
- 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

2022

- Established a diversified green energy subsidiary, "He Jun Energy."


2023

- Made a record high revenue
- Entered the Southeast Asian market through joint venture with Ly Hour Group in Cambodia.
- Won Talent Quality-management System (TTQS) Gold medal
- Won Asia Responsible Enterprise Awards for 2 consecutive years.
- Won TCSA for 3 consecutive years.
- Selected as a constituent of the TWSE "Corporate Governance 100 Index" for 3 consecutive years.
- Received "Long-term twAA- and Short-term twA-1+" ratings from Taiwan Ratings for 17 consecutive years.
- Received long term BBB and short term A-2 ratings from S&P for 4 consecutive years



► Investee businesses of HFC

With a corporate culture of continuous improvement, HFC continues to introduce diversified and customized services according to different distribution channels and customers. At the same time, through cultivating supplier channels, developing product policies, and improving service quality with specialized industry knowledge, we continue to expand business development and develop 4 investee companies under the Company.



2023 Annual Report of Hotai Finance Co., Ltd.

<https://www.hfcfinance.com.tw/zh-tw/investor/shareholder-data>



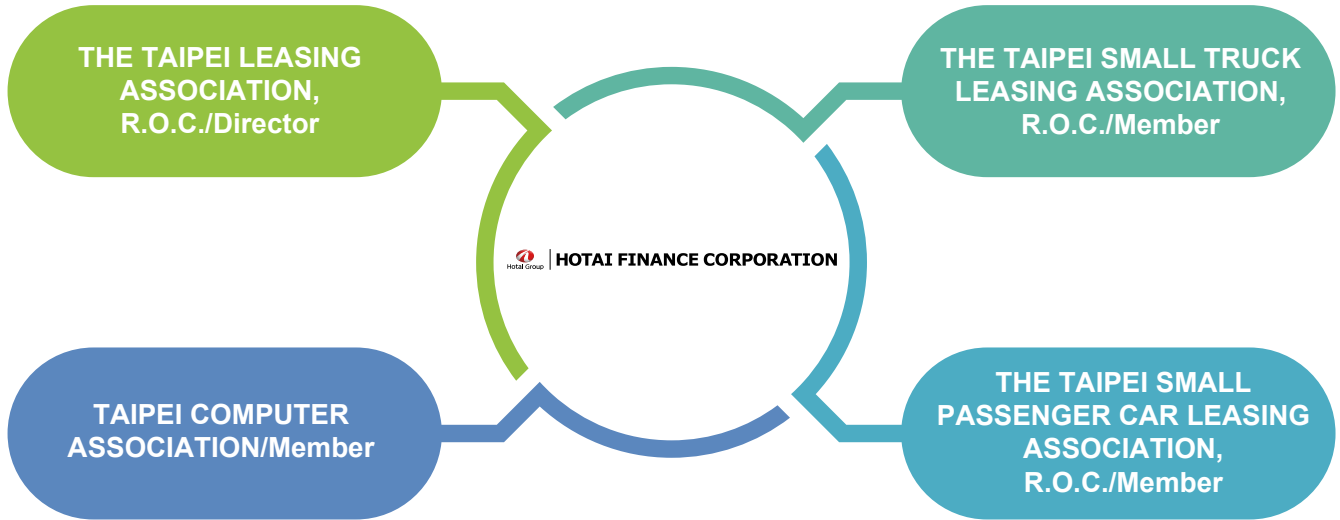
► Entered the Southeast Asian market through joint venture with Ly Hour Leasing

LY HOUR LEASING PLC. (hereinafter referred to as "Ly Hour Leasing") is a well-known local leasing company in Cambodia. Since its establishment in 2016, it has about eight years of experience in local operation and management. The group to which it belongs, Ly Hour Group, is further involved in finance, real estate, agriculture and other fields, with a high degree of business diversification. Ly Hour Leasing's main business includes the installment and leasing of vehicles and motorcycles, which is quite consistent with the core business of HFC, and is one of the top three car/motorcycle rental companies in Cambodia. This investment will enable Ly Hour Leasing to become a beachhead for HFC to open up in the ASEAN market, and accelerate the pace of subsequent expansion. At the same time, HFC has been proactively leveraging its operational strengths and technological capabilities to optimize the performance of its local governance, enhance the efficiency of resource utilization and accelerate profitable growth.



► **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.



1 Sustainable HFC

1.1 Sustainability governance system

1.2 Sustainability strategy

1.3 Sustainability strategic objectives

1.4 Material topic analysis

1.5 Stakeholder engagement



1.1 Sustainability governance system

The purpose of the Company's operation is to create value for all relevant stakeholders and, in the process, to enhance the resilience and competitiveness of sustainable operations. Since its establishment, HFC has pursued the business philosophy of "customers are the priority, and expertise is fundamental." While developing its core competitiveness, we have not neglected to value and fulfill corporate social responsibilities.

In 2019, HFC officially released the "Sustainable Development Best Practice Principles of Hotai Finance Co., Ltd." and the "Articles of Association of ESG committee of Hotai Finance Co., Ltd.," which serve as the strategies for the Company's operation and implementation of sustainable development. In response to the world's current trend of sustainable development, the United Nations Sustainable Development Goals (SDGs), we promote and facilitate HFC's corporate sustainability management 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)



► ESG Committee

GRI 2-12、2-13、2-14、2-16

In order to promote and implement the corporate social responsibility policy and sustainable development, HFC has established an ESG committee in accordance with Article 27 of the "Corporate Governance Best Practice Principles of Hotai Finance Co., Ltd." and the "Sustainable Development Best Practice Principles of Hotai Finance Co., Ltd." The ESG Committee is under the board of directors and consists of five members, with the chairperson of the board of directors 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)

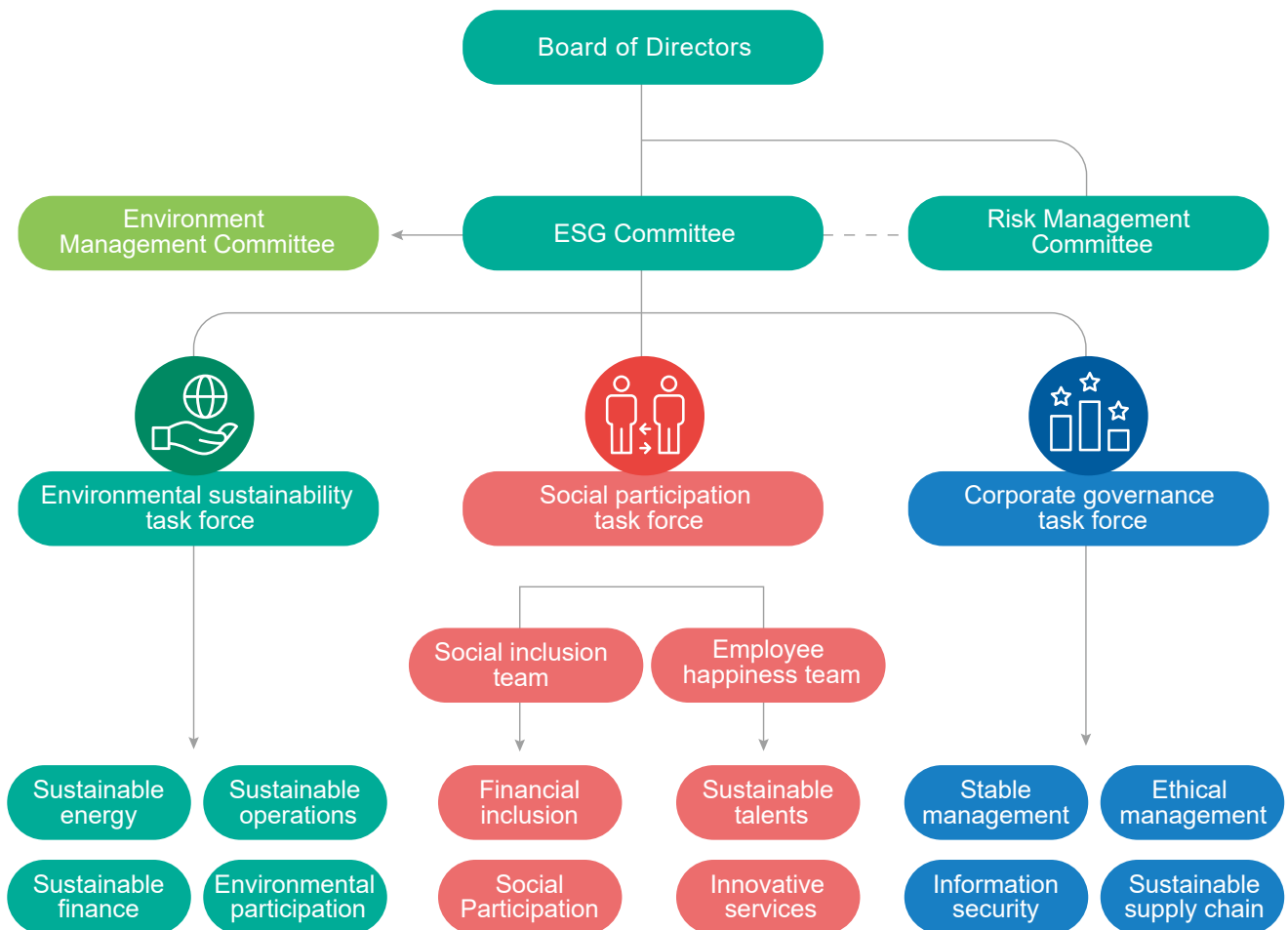


The committee meets at least twice a year. 2 meetings were held in 2023 to review the progress and achievements of the 2023 plan and to identify the direction of the 2024 plan. The in-person attendance rate of the committee members reached 100%; Moreover, the committee reported to the board of directors on the status of the implementation of 2023 ESG management on December 14, 2023. In addition to the summarizing the results of environmental sustainability, social participation, and corporate governance projects, for climate risk management topics stated in the report, the greenhouse gas inventory and the promotion of solar energy business are also reported as projects simultaneously, which shows how important they are to the realization of net-zero emissions by HFC.

ESG committee meeting highlights of HFC in 2023

Session	Time	Highlights of the meeting
The 4th meeting of the 1st committee ESG Committee	June 26, 2023	<ol style="list-style-type: none"> 1. Review of ESG results of the first half of 2023 2. ESG project promotion report of the second half of 2023 3. Report on proposals for the 2nd ESG Award
The 5th meeting of the 1st committee ESG Committee	November 29, 2023	<ol style="list-style-type: none"> 1. Description of annual material topic survey 2. Review of 2023 ESG results 3. Departmental achievement sharing of the 2nd ESG award 4. 2024 ESG action plan

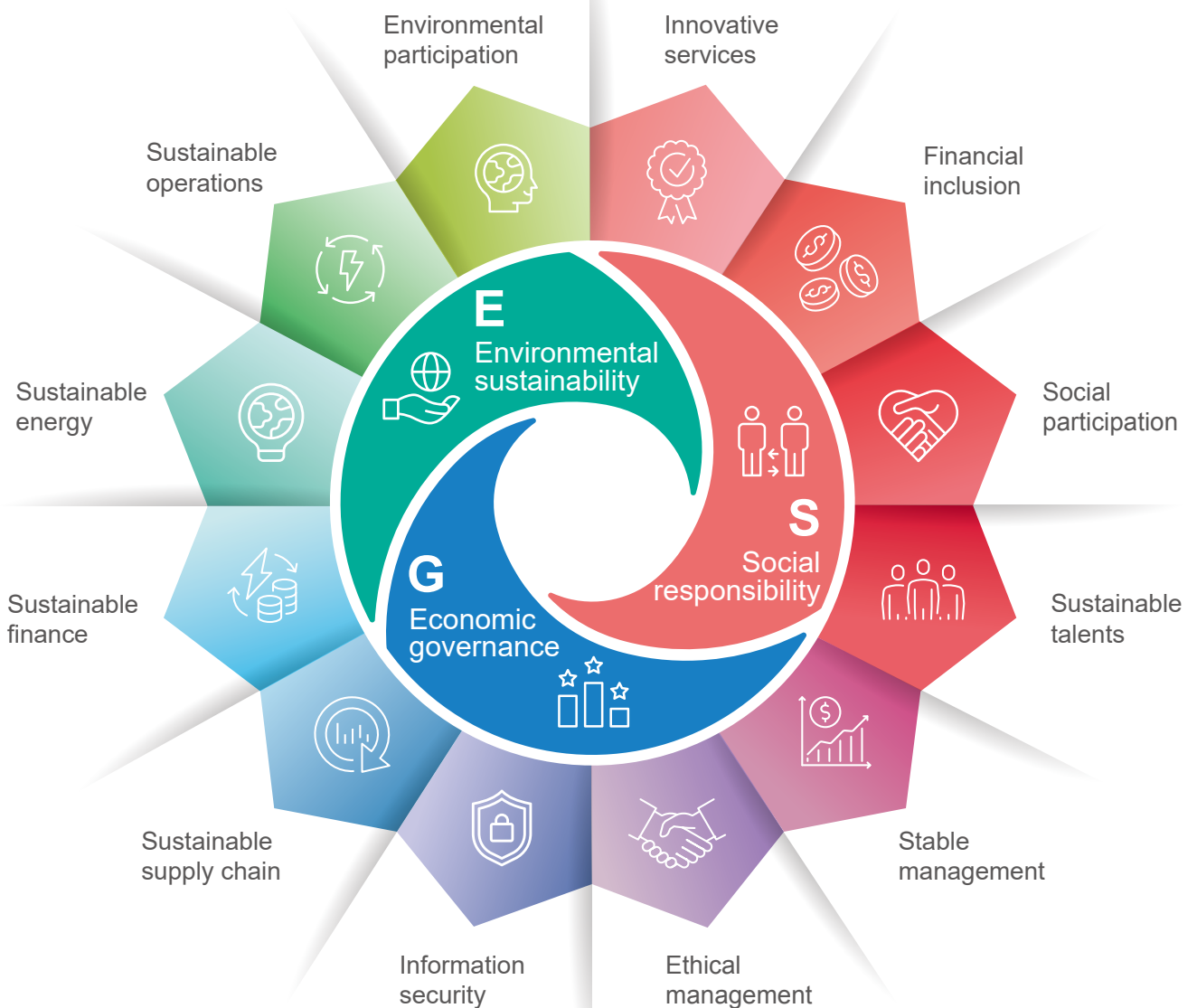
Grouping of ESG Committee tasks



1.2 Sustainability strategy

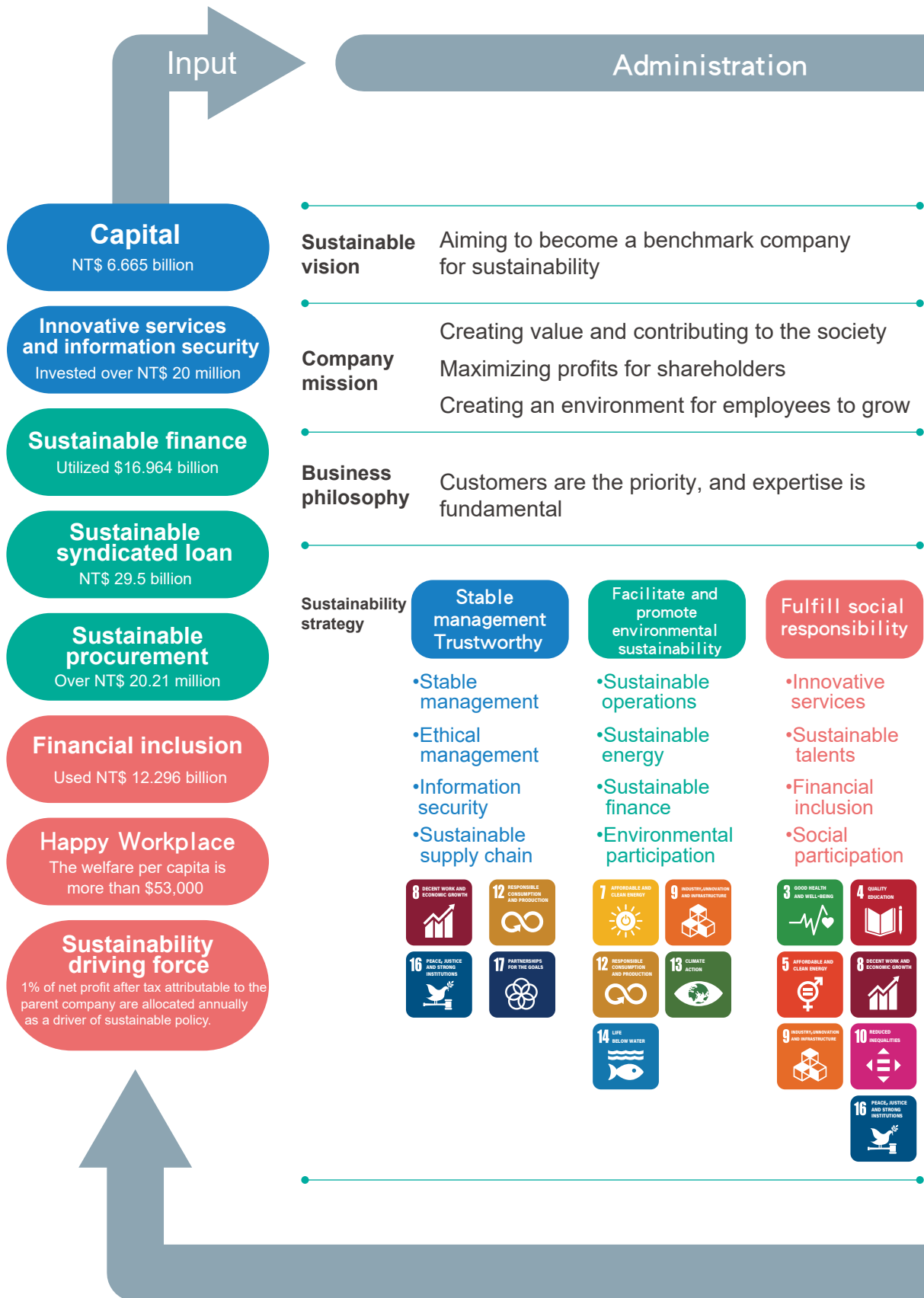
In order to realize social care and pursue sustainable development, HFC has set up three major sustainability focuses and twelve action guidelines in the spirit of ESG, and allocates "1% of net profit after tax attributable to the parent company" every year as a development driver for the promotion and implementation of sustainability policies.

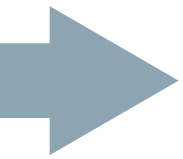
In accordance with the "International Integrated Reporting Framework" of IIRC, HFC responds to its sustainable strategy from the key capital of sustainable development to shape the corporate sustainable value creation process.





Sustainable value creation process





Output

Financial capital

- 2023 net profit after tax of NT\$ 4,092 million
 - 2023 earnings per share of NT\$ 6.41
 - 2023 Return on equity for common shareholders of 11.23%
- Note : Information on financial capital is presented as in a consolidated report

Human capital

- Total number of employees: 1,183
- Hours of employee training: 17,269
- 91.6% of employees are satisfied or very satisfied with the Company as a whole

Intellectual capital

- 6 apps developed
- Obtained 146 intellectual property copyrights and 11 trademark rights.
- Obtained ISO27001:2013 Information Security Management System certification

Social capital

- Donated over NT\$ 8 million
- 2,861 volunteers participated
- Total volunteer hours reached 12,626.5 hours

Natural capital

- Per-capita electricity consumption 1,320.52kWh (saving 0.29%)
- The average electricity consumption per million revenue is 84.09 kWh (saving 11.5%)
- 211 solar power farms with a capacity of 60.1MW
- Up to 80 charging piles
- One energy storage site, 2MW



Driving Innovation
Sustainable Development








1.3 Sustainability strategic objectives

► Stable and trustworthy operation— Develop steady Governance

Strategic direction	Policy management system		Assessment indicators		Corresponding SDGs	Corresponding chapter
	Management Approach	Policy commitment	2023 Key performances	2024 Targets		
Stable management	With the concept of continuous improvement and sustainable management, we continue to improve and establish a sound corporate governance and transparent financial system to create maximum value for stakeholders.	"Corporate Governance Best Practice Principles of HFC"	<ul style="list-style-type: none"> Top 20% in the Corporate Governance Evaluation Selected as a constituent of the Corporate Governance 100 Index 	To meet regulatory requirements and continue to optimize the corporate governance system		2.1 Corporate Governance
		Creating value and contributing to the society, maximizing profits for shareholders, and creating an environment for employees to grow	<ul style="list-style-type: none"> Consolidated revenue of \$28,660 million Consolidated profit after tax of NT\$ 4,092 million 	To maintain the position as the No.1 brand in the vehicle installment market		2.2 Operation Performance
Ethical management	Create a culture of integrity and an effective internal control and audit system; comply with laws and regulations and have limited control over the risks.	"Risk management policy of HFC"	<ul style="list-style-type: none"> No violation of law 	No violation of law		2.4 Ethical Management
		Establish an ethical corporate management system and enhance employees' understanding of relevant policies	<ul style="list-style-type: none"> Held 7 courses on ethical corporate management. On average, 996 employees completed the training session, accumulating 4,512.5 hours of training. 	Ongoing education and training courses on ethical corporate management		
Information security	Enhance information security and personal data protection to ensure that the privacy and personal data of stakeholders are not leaked.	<ul style="list-style-type: none"> Maintaining the effectiveness of the ISO 27001 information security management system Establishing an information security and personal data protection policy 	<ul style="list-style-type: none"> Passed ISO 27001:2013 re-assessment 3,271 persons completed the training program on personal information law, intellectual property rights, and information security. 	<ul style="list-style-type: none"> To complete ISO 27001:2022 conversion update To plan to introduce ISO 27701:2019 		2.6 Information Security and Personal Data Protection
Sustainable supply chain	We should endeavor to drive the supply chain in a positive direction to ensure that our partners have a safe workplace environment, good labor relations, and compliance with laws and regulations; and at the same time, we should proactively join hands with our supply chain partners to create a new sustainable future.	<ul style="list-style-type: none"> Formulating supplier undertaking Establishing a supplier evaluation system 	<ul style="list-style-type: none"> The signing rate of the supplier undertakings reached 100%. All suppliers have passed the annual assessment 	<ul style="list-style-type: none"> The signing rate of the supplier undertakings reached 100%. To implement supplier evaluation 		5.4 Sustainable supply chain management
		Working with suppliers to promote ESG actions	<ul style="list-style-type: none"> Five suppliers jointly responded to ESG actions in 2023 	<ul style="list-style-type: none"> To invite at least 6 partners to participate in ESG actions 		

► Promoting environmental sustainability—Act for Green Earth

Strategic direction	Policy management system		Assessment indicators		Corresponding SDGs	Corresponding chapter	
	Management Approach	Policy commitment	2023 Key performances	2024 Targets			
Sustainable finance	We should combine our core expertise to provide tailor-made sustainable staging solutions, so that everyone can realize sustainable green living.	<ul style="list-style-type: none"> Responding to 2050 Taiwan net zero roadmap and Green Finance 3.0 Applying for bank loans linked to sustainability, providing a wide range of sustainable financial products 	<ul style="list-style-type: none"> Electric/hybrid electric vehicle and electric scooter projects undertaken reached NT\$16.567 billion. The amount of loans approved for environmental protection and renewable energy industries reached NT\$397million 	Continuously deepen the promotion of green financial products, increasing the underwriting amounts for eco-friendly vehicles and other green financial products.	 	3.1 Sustainable and Inclusive Services	
			<ul style="list-style-type: none"> In 2023, the sustainable syndicated loan amount reached NT\$ 29.5 billion, and the cumulative amount of sustainable syndicated loans from 2021 to 2023 reached NT\$ 68.8 billion. 	To continue to deepen cooperation with banks in green finance-related businesses			
Sustainable energy	We should respond to green energy for carbon reduction and develop comprehensive green energy services, and provide solutions for stakeholders to achieve net zero and sustainable development	Responding to 2050 Taiwan net zero roadmap—energy transformation strategy	<ul style="list-style-type: none"> The number metered sites reached 211 Installed capacity: 60.1MW (kwh) Cumulative power generation of 42.5 million kWh Carbon reduction benefit of 35,693 tonnes CO2e 	<ul style="list-style-type: none"> The cumulated metered installed capacity reached 100 MW. Estimated carbon reduction benefit up to 60,000 tonnes CO2e 	 	3.2 Investment in sustainability and cleanliness	
			<ul style="list-style-type: none"> One energy storage site Energy storage capacity: 2 MW 	To participate in the bidding of optical storage integration and actively participate in the power trading platform.			
			<ul style="list-style-type: none"> The number of operating charging piles reached 21. 80 piles were built 	To reach a total of 150 piles			
Sustainable operations	Based on scientific data, we should deepen the Company's climate change management mechanism, proactively enhance the efficiency of energy use, and create a low-carbon operation and office space in order to move towards the net-zero goal of 2050.	Responding to the government's 2050 net-zero goal	<ul style="list-style-type: none"> Energy intensity (vehicle gasoline and electricity) decreased by 12.6% compared to the previous year The average electricity consumption per million revenue was 84.09 kWh (↘ 11.5%) The average water consumption per million revenue was 0.58 tonnes (↘ 7.04%). The per-capita water consumption was 9.04 thousand liters (↗ 4.74%) The percentage of non-fuel-only company cares has reached 30%. The amount of paper destroyed by water amounted to 8.26 tonnes (a decrease of 45.4%). 	To reduce the use of energy resources at the operations and improve the efficiency of energy use		5. Environmental sustainability	
			Implement greenhouse gas inventory and obtain ISO 14064-1 third-party verification.	<ul style="list-style-type: none"> The scope of the inventory covers the subsidiaries listed in the consolidated report The inventory covered scope 1, 2 and 3. Selected for Business Weekly Carbon Competitiveness Top 100 			<ul style="list-style-type: none"> To implement greenhouse gas inventories To gradually increase the inventory items in Scope 3.
			Responding to government policies and implementing responsible consumption	<ul style="list-style-type: none"> 100 percent are purchased locally The Amount of green procurement amounted to NT\$ 20.21 million Over NT\$ 1.11 million in social innovation procurement 			To continue to implement responsible consumption and procurement.



Strategic direction	Policy management system		Assessment indicators		Corresponding SDGs	Corresponding chapter
	Management Approach	Policy commitment	2023 Key performances	2024/2023 Key performances		
Environmental participation	We should play a key role in shaping a sustainable ecosystem by encouraging and engaging stakeholders to join the sustainability movement and contribute to the sustainability of the earth	Promoting Green Energy Social Charity Action Project	<ul style="list-style-type: none"> The Company donated 13 solar-powered street lamps to the Hua-Kuang Social Welfare Foundation; the carbon reduction benefit was 2.7 tonnes of CO2e. 	To continue promoting public welfare actions in conjunction with the green energy industry to achieve social inclusion and environmental sustainability benefits.	 	6.4 Environmental Protection
		Protecting biodiversity	<ul style="list-style-type: none"> The number of wetland volunteers was 132 The weight of removed invasive species was 224 kg 477 people participated in the beach cleanup, 1,821.5 kilograms of garbage was removed 	<ul style="list-style-type: none"> The wetland conservation action was extended to the North, Central and South Taiwan. To continue to organize beach clean-up activities 		

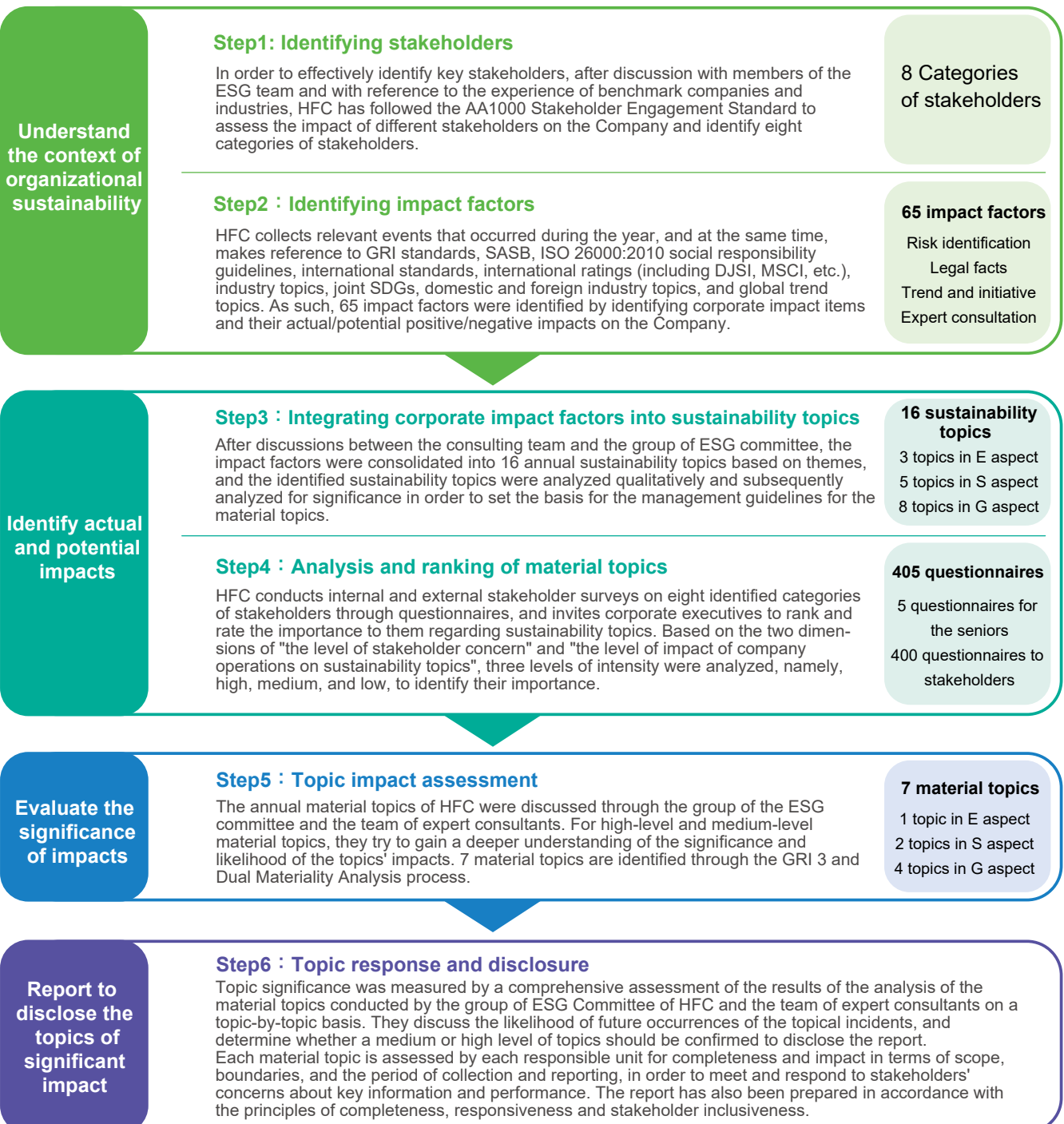
► Realizing due diligence in social responsibility—Lead to Better Society

Strategic direction	Policy management system		Assessment indicators		Corresponding SDGs	Corresponding chapter
	Management Approach	Policy commitment	2023 Key performances	2024 Targets		
Sustainable talents	<ul style="list-style-type: none"> Take care of the needs of employees at every stage of life to create a secure workplace Expand the vision and thinking of employees, cultivate diversified knowledge and work skills, and develop diversified functions. We are committed to creating a healthy and safe workplace environment, thereby implementing employee human rights protection. Create a diverse, inclusive, and friendly workplace 	<ul style="list-style-type: none"> Competitive remuneration Providing diverse benefits 	<ul style="list-style-type: none"> The average salary of non-supervisory full-time employees was NT\$ 1,347,000 The average amount of welfare payment per person was more than NT\$ 53,000 91.6% of employees were satisfied or very satisfied with the Company as a whole 	<ul style="list-style-type: none"> Salary: To maintain competitive remuneration. Employee satisfaction: To plan diversified benefits and employee care to maintain employee satisfaction. 	 	4.1 Talent attraction, remuneration and benefits
		<ul style="list-style-type: none"> Developing on-the-job training, external training, and self-development training. Striving for the recognition of national talent cultivation awards. Perfecting the performance appraisal and rotation system 	<ul style="list-style-type: none"> Optimizing training hours: 17,269 hours Average training hours: 14.60 hours/person Trained 39 internal seed lecturers Obtained TTQS Gold Certification 	<ul style="list-style-type: none"> We will expand the scope of the talent development map to foster the management functions of in-house managers, and launch functional courses to increase learning resources for in-house employees to enhance their core functions To strive for the recognition of the National Talent Development Awards 	 	4.2 Talent Development and Diverse Learning
		<ul style="list-style-type: none"> Formulating human rights policy Appointing an occupational safety officer Smooth staff communication channels 	<ul style="list-style-type: none"> 3 employee injuries Human rights protection: No illegal violations occurred. The cumulative number of training hours on human rights-related topics is 945 hours. 	<ul style="list-style-type: none"> To reduce the number of employee injuries Human rights protection: No illegal violations occurred To continue to promote human rights-related 		4.3 Human rights protection and workplace safety and health

Strategic direction	Policy management system		Assessment indicators		Corresponding SDGs	Corresponding chapter
	Management Approach	Policy commitment	2023 Key performances	2024 Targets		
Innovative services	<ul style="list-style-type: none"> We should adhere to the "customer first" spirit to provide timely and high-quality services. We should promote digital transformation, integrate various needs of stakeholders, and provide one-stop solutions 	Establishing the "Customer Complaint Handling Standard Operating Procedure" to maintain quality service.	There were a total of 232,706 telephone inquiries, and the average handling time for one call was 3.1 minutes, which is a 24.3% improvement in handling efficiency compared to 4.1 minutes/call in 2022.	To continue to optimize several communication channels to enhance the efficiency of customer complaint handling.		3.3 Customer Rights and Services
		Introduce the Taiwan Intellectual Property Management System (TIPS)	Obtained class A certification	To deepen intellectual property management and pass the annual review		2.4 Ethical Management
		Make the workflow paperless, save paper, and provide customers with the most convenient, environmentally friendly and high-quality service.	The process of incoming cases of HFC is now paperless.	To increase the proportion of paperless operations		3.4 Digital Innovative Services
Financial inclusion	Launch a wide range of financial products and services to become an accelerator of balanced social development	Provide corporate banking services to small and medium-sized enterprises that have difficulty in accessing banking resources	<ul style="list-style-type: none"> 3,529 financial inclusion cases Inclusive finance cases amounted to NT\$ 12.296 billion 	<ul style="list-style-type: none"> 3,995 financial inclusion cases Inclusive finance cases amounted to NT\$ 13.92 billion 	 	3.1 Sustainable and Inclusive Services
Social participation	<ul style="list-style-type: none"> We shall promote sustainable actions in line with our core functions to enhance the quality of life for our stakeholders and ensure equitable development opportunities for all. We will connect with partners and integrate resources to support stakeholders to grow together in a rapidly changing environment 	Linking ESG indicators to employee performance evaluation (Volunteer participation)	<ul style="list-style-type: none"> 2,861 people attended Total hours of volunteer service of 12,626.5 hours The average number of volunteer hours per person reached 12.9 hours, surpassing the annual target of 8 hours. 	The average number of volunteer hours per person is 8.5 hours		6. Social inclusion
		Continuing to promote the road safety dissemination programs in conjunction with the industry.	<ul style="list-style-type: none"> 1,313 employees subsidized Amount of subsidy reached NT\$ 1.8 million Project benefits: <ul style="list-style-type: none"> The dissemination had 15,000 views and Over 100 students participated in the video selection process. 	<ul style="list-style-type: none"> To expand the subsidy To promote deeply into campuses 		6.2 Motorcycle road safety program

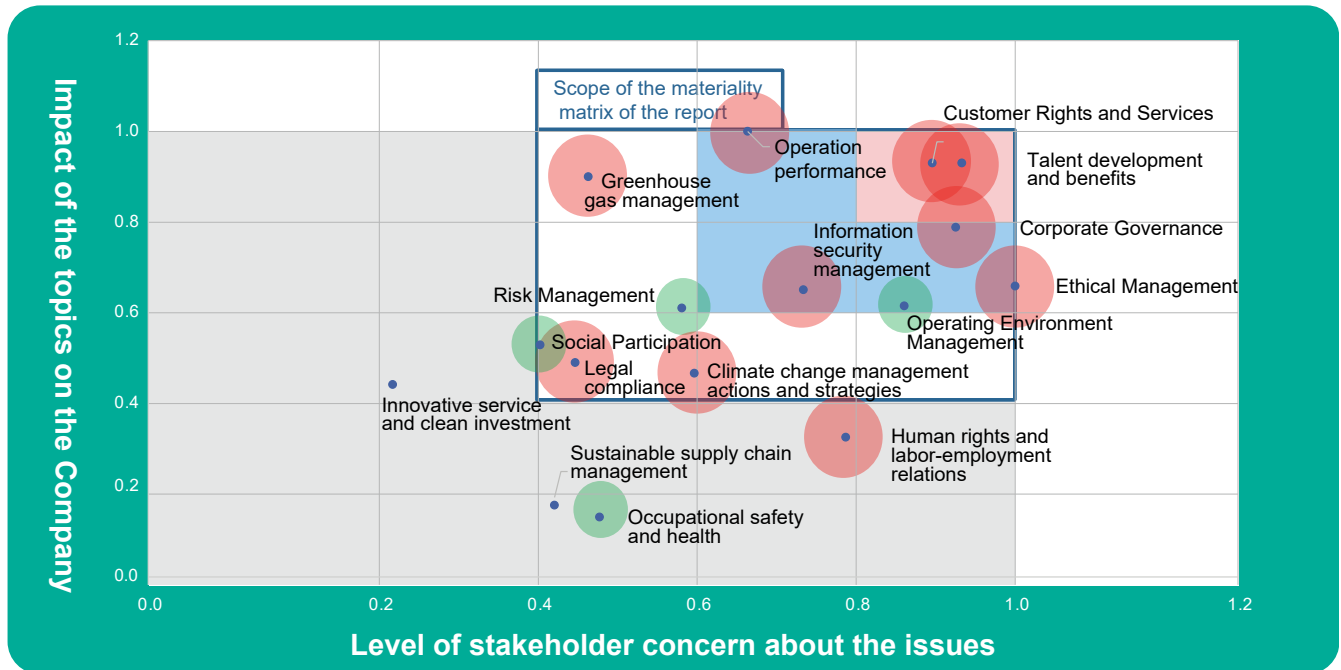
1.4 Material topic analysis GRI 3-1 \ 3-2

HFC has established a systematic process to identify material stakeholders and material topics in accordance with GRI 3: Material Topics, the latest released GRI Universal Standards. In 2023, HFC re-collected the impact factors, categorized and defined the sustainability topics, as well as inventoried and identified the actual and potential positive and negative impacts of each sustainability topic on the Company. Furthermore, HFC manages and sets them as the basis for preparing the sustainability report and responses to stakeholders.



► Material topic analysis matrix

After identifying 16 sustainability topics that stakeholders are concerned about, and through discussions between each unit and the group of ESG Committee, the report is based on the highly impactful material topics of the seven most significant topics, and the management methods and performance results are fully disclosed in the report.



Management Approach

- 2 Highly material topics
- 5 Moderately material topics
- 5 Low-level topics
- 4 Tracking topics outside the matrix

Likelihood of occurrence

- 10 High likelihood High
- 4 Medium Likelihood Medium
- 2 Low likelihood
- 0 No possibility of occurrence

► Description of material topic changes

2023 Material topics	2022 Material topics	Change status	Description of the changes
Corporate Governance	Corporate Governance	Rising importance	Corporate governance is an internal management mechanism of an enterprise. By improving the transparency of governance, the development and management of HFC can more effective.
Operation performance	Operation performance	Rising importance	In light of the impact of recent market changes and financial performance on stakeholders, HFC expects to increase its focus on these topics, which will be reflected in the execution of its business policies to share the fruits of economic growth with its stakeholders.
Operating Environment Management	Operating Environment Management	Rising importance	HFC emphasizes environmental management and responsibility, and responds to the need for sustainable development. Furthermore, it focuses on the promotion of green energy development, and progressively improves the sustainable management of the operating environment through its daily business and operations.
Information security management	Personal data protection	No change	Since the protection of personal data of HFC has expanded to the focus on overall information security management, the name has been changed to align with the policy direction.



► Description of material topics and responses

ESG aspect	2023 Material Topics	Impact description	Aspects of impacts ^{Note1}	Level of impacts ^{Note2}	
Economic governance	Corporate Governance	We established a comprehensive governance mechanism, including the operation of the board of directors, stakeholder protection, and establish a fair and transparent tax management mechanism in response to global tax justice. By enhancing the company's competitiveness, we can also increase investor confidence and maintain a favorable image.	Actual / positive	Moderate	
	Ethical Management	Formulating and complying with professional code of ethics and internal control mechanism, and strictly prohibiting bribery, corruption, competition and other activities, will help improve stakeholders' trust in the Company and maintain good interactive relations.	Potential / positive	Moderate	
	Operation performance	Transparent disclosure of financial information, such as financial performance and tax payments, can increase stakeholders' confidence in the Company. At the same time, the steady growth of business performance can also let us share the fruits of economic growth (such as dividends, bonuses, etc.) with stakeholders.	Actual / positive	Moderate	
	Information security management	Internal information usage guidelines, management system and program security and management actions are included. With the rapid changes in digital technology, information security topics have attracted much attention from all walks of life. Failure to manage them effectively will not only result in fines, but also damage the rights and interests of stakeholders.	Actual / negative	Moderate	
Environment	Operating Environment Management	Regarding internal resource use (including energy, water, and waste) in the operation process, establishing management behaviors and goals can help reduce waste and improve resource efficiency.	Potential / positive	Moderate	
Human rights	Customer Rights and Services	Emerging financial risks and disputes (such as fraud) have recently attracted much attention. By planning sound management measures, such as customer service channels, feedback mechanisms, and increasing the transparency of product information, we can not only protect the rights and interests of customers but also avoid the occurrence of consumer disputes.	Potential / negative	Height	
	Talent development and benefits	We provide a mechanism for staff development and welfare to ensure diversified development and equal opportunities for employees, which helps to increase human capital and the company's competitiveness.	Potential / positive	Height	

Note 1 : The aspects of impacts are described as "actual/potential" and "positive/negative"

Note 2 : In terms of levels of impacts, operations and finances are both considered.

Note 3 : ● Causing : The material topic has a "direct" impact on the stakeholders.

▲ Facilitating : Although a material topic that does not have a direct impact on stakeholders, may still affect their interests if there is a change in HFC on that topic

□ Related : A material topic may involve working with stakeholders (e.g. procurement, outsourcing, etc.)

	Value chain impact boundary and level of involvement ^{Note3}						Corresponding GRI	Corresponding SASB	Corresponding chapter
	HFC	Funding Provider	Customer	Suppliers	Government	Non-profit organization			
	●	▲			▲		-	-	2. Corporate Governance
	●	●	□	□	●		205 Anti-Corruption 206 Anti-competitive activities	-	2. Corporate Governance 2.4 Ethical Management
	●	●	▲		▲		201 Economic performance	-	2. Corporate Governance 2.2 Operation Performance
	●		●	▲	▲		418 Customer Privacy	Information security Customer Privacy	2. Corporate Governance 2.6 Information Security and Personal Data Protection
	●			▲			302 Energy 303 Water and Effluents	-	5. Environmental sustainability 5.3 Operating Environment Management
	●		●	▲	▲		-	Selling practices	3. Customer value 3.3 Customer Rights and Services
	●			□	▲		401 Employment 404 Training and Education 405 Diversity and Equal Opportunity	-	4. Happy Workplace






1.5 Stakeholder engagement

GRI 2-29


HFC provides a wide range of equipment and vehicle installment sales and leasing services. Starting from individual or corporate client negotiation, HFC assesses the customers' needs and designs a customized plan for them. Access to working capital can have a significant impact on the value chain over the course of the service. Therefore, HFC combined the material topics analysis to assess the impacts of each material topic on eight categories of stakeholders in the value chain during the course of the service and then take responses to them.


► Stakeholders' concerned topics and communication performance

Stakeholders	Importance	Targets to whom HFC products and services are offered.	
	Concerned topic	Communication channels and frequency	Communication results in 2023
 Individual customers	<ul style="list-style-type: none"> Customer Rights and Services Ethical Management Corporate Governance Information security management Operating Environment Management 	<ul style="list-style-type: none"> Irregular official website information disclosure Irregular customer service hotline Irregular customer compliant hotline Irregular LINE mobile customer service 	<ul style="list-style-type: none"> In 2023, a total of 232,706 inquiries were made by telephone. The average customer call processing time was 3.1 minutes, a 24.3% improvement in processing efficiency compared to 2022 (4.1 minutes). 42% of customers used the LINE online customer service channel, with an average of 10,294 inquiries per month, 44% of which were resolved through automated responses to FAQs.
 Corporate Customers	<ul style="list-style-type: none"> Customer Rights and Services Ethical Management Talent development and benefits Operating Environment Management 	<ul style="list-style-type: none"> Irregular official website information disclosure Irregular customer service hotline Irregular customer compliant hotline Irregular LINE mobile customer service 	
Contact Information	(02) 2276-1511 https://www.hfcfinance.com.tw/contact		

Stakeholders	Importance	Establishing a comprehensive corporate governance system to protect the rights and interests of shareholders, treat all shareholders fairly, and strive for their long-term support for the Company.	
	Concerned topic	Communication channels and frequency	Communication results in 2023
 Shareholders	<ul style="list-style-type: none"> Operation performance Operating Environment Management Customer Rights and Services Corporate Governance Talent development and benefits 	<ul style="list-style-type: none"> Annual shareholders' meeting Regular publication of financial statements/annual reports/ESG reports Irregular investor conferences Announce material information from time to time in accordance with the regulations of the competent authorities Irregular official website information disclosure 	<ul style="list-style-type: none"> The annual shareholders' meeting was held on May 31 to report the operating status and dividend policy to shareholders. Disclose operation status at quarterly investor conferences For details of real-time disclosure of important financial and business information of the Company, please visit the "Quarterly Financial Statements" section of the Company's website.
Contact Information	(02) 2502-4567 #16301 HFC-INVESTOR@hfcfinance.com.tw		

Stakeholders	Importance	Suppliers play a key role in promoting the sustainable operations of HFC	
	Concerned topic	Communication channels and frequency	Communication results in 2023
 Suppliers	<ul style="list-style-type: none"> Ethical Management Operating Environment Management Talent development and benefits Corporate Governance Human rights and labor-employment relations 	<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 projects are carried out in accordance with the "Supplier Management Policy," and the signing rate of the supplier undertaking reached 100%. Suppliers' data is kept on file Five suppliers jointly responded to ESG actions in 2023
Contact Information	(02) 2502-4567 #11203 HFCFINANCE@hfcfinance.com.tw		

Stakeholders	Importance	Employees are the Foundation of Business Operations and Sustainable Development	
	Concerned topic	Communication channels and frequency	Communication results in 2023
 Employees	<ul style="list-style-type: none"> Talent development and benefits Human rights and labor-employment relations Ethical Management Corporate Governance Operating Environment Management 	<ul style="list-style-type: none"> Announcement of benefits and employee education and training on job banks and the internal website Employee grievance mailbox available on the intranet Employee satisfaction survey is conducted annually Education and training courses Job seekers are required to sign a personal data protection consent form 	<ul style="list-style-type: none"> The average amount of welfare payment per person was more than NT\$ 53,000 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 The response rate of employee satisfaction is 100%, with a total score of 5 and an overall average of 4.36. 91.6% of the employees are satisfied or very satisfied with the Company's overall performance Up to 1,091 employees took ESG education and training courses for a total of 545.5 hours
Contact Information	(02) 2502-4567 #11100 HFCHR@hfcfinance.com.tw		

Stakeholders	Importance	Regulate and assist HFC's operations in compliance	
	Concerned topic	Communication channels and frequency	Communication results in 2023
 Government agencies and competent authorities	<ul style="list-style-type: none"> Corporate Governance Ethical Management Information security management Customer Rights and Services Operating Environment Management 	<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" We make promotions to employees from time to time to incorporate the concepts of ethical corporate management and legal compliance into our daily work. In 2023, a total of 7 ethical corporate management courses were organized, with an average of 996 employees completing each course, accumulating 4,512.5 hours of training Thoroughly implement risk management and control, strengthen legal compliance and compliance capabilities
Contact Information	(02) 2502-4567 #16301 HFC-INVESTOR@hfcfinance.com.tw		

Stakeholders	Importance	Provide funding to support HFC's operations	
	Concerned topic	Communication channels and frequency	Communication results in 2023
<p>Banks</p>	<ul style="list-style-type: none"> Ethical Management Corporate Governance Operating Environment Human rights and labor-employment relations Talent development and benefits 	<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 17 consecutive years Received "BBB" credit rating for long-term issues from Standard & Poor's Financial reports are released on a quarterly basis. For details, please refer to the "Quarterly financial statements" section of the website
Contact Information	(02) 2502-4567 #16200 HFCFINANCE@hfcfinance.com.tw		

Stakeholders	Importance	HFC has invested in charity and environmental protection initiatives, and joined hands with non-profit organizations to promote social inclusion.	
	Concerned topic	Communication channels and frequency	Communication results in 2023
<p>Non-profit groups</p>	<ul style="list-style-type: none"> Ethical Management Corporate Governance Operating Environment Management Talent development and benefits Human rights and labor-employment relations 	<ul style="list-style-type: none"> Festival Gift Purchasing Volunteer Activities Scooter road safety awareness raising 	<ul style="list-style-type: none"> The number of volunteer participants reached 2,861, and the number of hours reached 12,626.5 Subscribed to Dragon Boat Festival gift boxes from Shelter Factory as employee gift boxes for New Year's Day, amounting to \$1.11 million We have participated in the Food Bank Program of Andrew Association for 4 consecutive years. From 2020 to 2023, a total of 630 volunteers donated \$3.3 million, benefiting a total of 3,200 families We worked with the Highway Bureau, MOTC to promote the "Motorcycle Road Safety Promotion Program" in three phases. <ol style="list-style-type: none"> Motorcycle driving training subsidy Motorcycle road safety video competition Zero violation challenge
Contact Information	(02) 2502-4567 #16305 PR@hfcfinance.com.tw		

The Company has set up a whistleblowing mailbox:
WHISTLE@hfcfinance.com.tw



2 Corporate Governance

Material topic management

2.1 Corporate governance

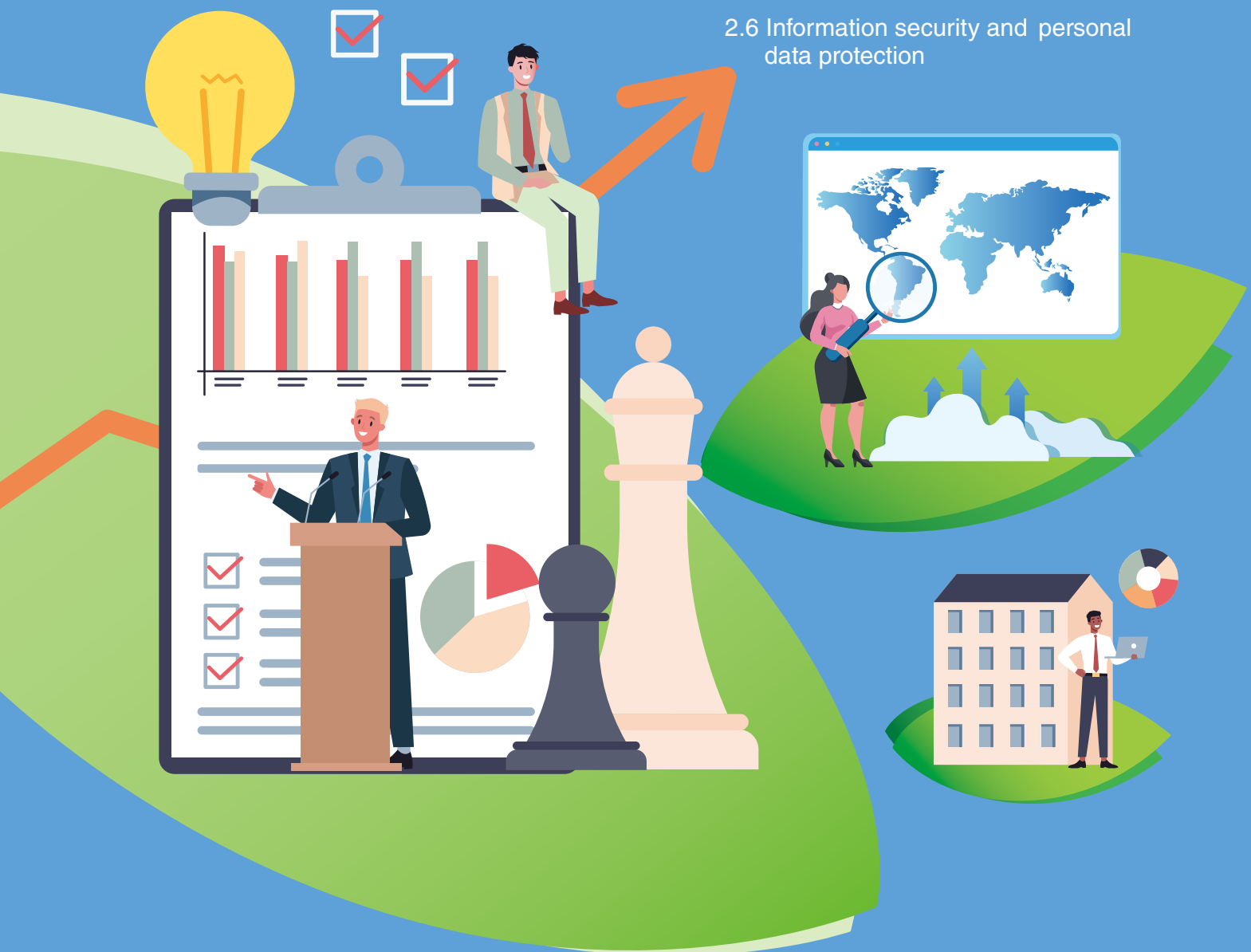
2.2 Operation performance

2.3 Risk management

2.4 Ethical management

2.5 Regulatory compliance

2.6 Information security and personal data protection



Material topic management

Material Topics
Corporate governance

International frameworks and indicators

Self-defined topics



Impact description

We established a comprehensive governance mechanism, including the operation of the board of directors, stakeholder protection, and establish a fair and transparent tax management mechanism in response to global tax justice. In addition to enhancing the competitiveness of the Company, we are also able to increase investor confidence and maintain a favorable image.

- Actual
- Potential
- Positive
- Negative

Policy commitment

Formulate the Corporate Governance Best Practice Principles and establish a comprehensive governance mechanism.

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Enhancing information transparency	Significant message announcement has been duly made in accordance with the law	V	To comply with the law on disclosure of information	
Participation in corporate governance evaluation	The results of the evaluation were the top 6% to 20%	V	To take part in the corporate governance evaluation	
Implement board performance evaluation	Completed the external performance evaluation of the board of directors	V	To regularly evaluate the performance of the board of directors	
Board diversity	The number of directors who are concurrently the Company's manager did not exceed 1/3 of the board of directors	V	To make continuous effort to implement them	
	There are no more than half of the directors who are spouses or relatives within the second degree of kinship of each other	V		
	Increase the number of female directors	-		To strive to increase the number of female directors

Stakeholders	Engagement channels and effectiveness	
Shareholders	Channel/frequency	Earnings call/quarterly, shareholders' meeting/yearly, annual report/yearly, ESG report/yearly, official website/irregularly
	Effectiveness	Report on operations and dividend policy to shareholders at shareholders' meetings 4 earnings calls were held to explain operations and to disclose important financial and business information in a timely manner
	Contact Information	Hotline: (02) 2502-4567 #16301 Dedicated email: HFC-INVESTOR@hfcfinance.com.tw
Government agencies and competent authorities	Channel/frequency	Investor Conference/quarterly, shareholders' meeting/yearly, annual report/yearly, corporate governance evaluation/yearly, official website/irregularly Market Observation Post System/announcements of significant information are made from time to time in accordance with the regulations of the competent authorities
	Effectiveness	The results of the 10th evaluation were the top 6% to 20% in 2023
	Contact Information	Hotline: (02) 2502-4567 #16301 Dedicated email: HFC-INVESTOR@hfcfinance.com.tw


Material Topics

Operation performance

International frameworks and indicators
**GRI 201
Economic performance**

Impact description

Transparent disclosure of financial information, such as financial performance and tax payments, can increase stakeholders' confidence in the Company. At the same time, the steady growth of business performance can also let us share the fruits of economic growth (such as dividends, bonuses, etc.) with stakeholders.

- Actual
 Potential
 Positive
 Negative

Policy commitment

Creating value and contributing to the society, maximizing profits for shareholders and creating an environment for employees to grow.

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Regular disclosure of operating results	We regularly disclosed financial report information and held earnings call every quarter and updated the internal management performance reports every month	V	To remain the NO.1 brand in vehicle installment industry	To maintain growth momentum through continuous business diversification and multi-faceted operations
Optimization of the governance of affiliated companies	We assisted our affiliates in implementing a standardized reporting process to maintain consistent output	V		
Annual key projects and policy planning	We conducted performance reviews on a half-yearly basis and planned ahead for the next year's key indicators and projects	V		

Stakeholders		Engagement channels and effectiveness
Shareholders	Channel/frequency	Earnings call/quarterly, financial report/quarterly, shareholders' meeting/yearly, annual report/yearly, official website/irregularly
	Effectiveness	In 2023, cash dividends of \$3 were paid and stock dividends of \$1 were issued
	Contact Information	Hotline: (02) 2502-4567 #16301 Dedicated email: HFC-INVESTOR@hfcfinance.com.tw
Employees	Channel/frequency	Employee welfare committee/irregular, company website/irregular, employee satisfaction survey/yearly, sustainability report/yearly
	Effectiveness	In 2023, welfare payments (three festivals/birthday/travel subsidies/scholarships, etc.) were granted at an average of over \$53,000 per person
	Contact Information	Hotline: (02) 2502-4567 #11100 Dedicated email: HFCHR@hfcfinance.com.tw



Material Topics

Ethical management

International frameworks and indicators

GRI 205 Anti-corruption

GRI 206 Anti-competitive Behavior



Impact description

Formulating and complying with professional code of ethics and internal control mechanism, and strictly prohibiting bribery, corruption, competition and other activities, will help improve stakeholders' trust in the Company and maintain good interactive relations.

○ Actual

✓ Potential

✓ Positive

○ Negative

Policy commitment

- Formulate the "Ethical Corporate Management Best Practice Principles," "Ethical Corporate Management Operating Procedures and Behavioral Guidelines," and "Ethical Code of Conduct" and other internal regulations.
- Establish and improve the internal control system, formulate and implement the annual audit plan in accordance with the Company's "Regulations Governing the Internal Control System"

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Formulate the annual audit plans in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, and implement them accordingly	We have actually implemented and completed 49 audit plans, including derivatives trading, cyber security inspection, etc., and completed the rectification of relevant deficiencies	V	To complete annual audit plans and implement them accordingly	
Continuing education for internal auditors of public companies	Internal audit personnel shall attend 12 hours of professional training courses on auditing related services organized by the designated professional training institutions, totaling 48 hours	V	In response to the updates of the legal compliance and internal control system, the Company will continue to dispatch employees for training every year	
Communicate with directors, managers and employees about our ethical corporate management policy	Directors and senior managers issued monthly written notices promoting the prevention of insider trading	V	To implement monthly reminders to prevent insider trading and continue to plan director training courses related to ethical corporate management	Ongoing education and training courses on ethical corporate management
	All directors and the chief corporate governance officer completed a 3-hour money laundering prevention course			
	We organized 7 ethical corporate management-related courses, with an average of 996 employees completing each course, accumulating 4,512.5 hours of training			

Stakeholders	Engagement channels and effectiveness
Government agencies and competent units	Channel/frequency: Market Observation Post System/uploading data 5 times a year
	Effectiveness: Relevant information uploaded is in compliance with the regulations, and there is no violation of ethical management
	Contact Information: Hotline: (02) 2502-4567 #16301 Dedicated mailbox : HFC-INVESTOR@hfcfinance.com.tw Public whistleblowing email: WHISTLE@hfcfinance.com.tw
Shareholders	Channel/frequency: Annual report/yearly, sustainability report/yearly, official website/irregularly
	Effectiveness: We have fully disclosed our communication with directors, managers and employees about our ethical management policy and the results of its promotion
	Contact Information: Hotline: (02) 2502-4567 #16301 Dedicated email: HFC-INVESTOR@hfcfinance.com.tw


Material Topics

Information security management

International frameworks and indicators
**GRI 418 Customer Privacy
SASB Data Security and
Customer Privacy**

Impact description

Internal information usage guidelines, management system and program security and management actions are included. With the rapid changes in digital technology, information security topics have attracted much attention from all walks of life. Failure to manage them effectively will not only result in fines, but also damage the rights and interests of stakeholders.

Actual
 Potential
 Positive
 Negative

Policy commitment

- Pass the ISO 27001:2013 information security management system verification, promote the implementation of the ISO 27701:2019 personal information privacy management system, and implement information security management.
- Establish the information security management system and the information security incident management process, and improve management measures.

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Implementation of the supervision and information security audit plans of subsidiaries	Subsidiaries HFC are included in the supervisory and information security audit plan	V	To implement subsidiary supervision and information security review	
Ensuring the effectiveness of ISO 27001	We passed external audits and obtained valid licenses	V	To complete the version transition of ISO 27001:2022 in 2024.	To continue to ensure ISO 27001 Effectiveness
Promoting the implementation of ISO 27701	The promotion has been included in the new year's plans	-	To plan to introduce ISO 27701 for external certification and ensure its effectiveness	
Implementing information security management formulation and procedures	We performed 3 vulnerability scans to correct and re-scan all vulnerabilities.	V	No information security incidents occurred	
	171 information asset risk assessments were completed			
	No information security breaches occurred			

Stakeholders		Engagement channels and effectiveness
Individual customers	Channel/frequency	Annual report/yearly, sustainability report/yearly, official website/irregularly
	Effectiveness	In 2023, we implemented 100% protection for customers' personal data
	Contact Information	Hotline: (02) 2276-1511 Dedicated email: https://www.hfcfinance.com.tw/contact
Employees	Channel/frequency	Information security education and training courses/irregular
	Effectiveness	In 2023, a total of 3,271 trainees completed three training courses on information security education
	Contact Information	Hotline: (02) 2502-4567 #11100 Dedicated email: HFCHR@hfcfinance.com.tw
Government agencies and competent authorities	Channel/frequency	Annual report/yearly, sustainability report/yearly, official website/irregularly
	Effectiveness	Passed the ISO 27001:2013 re-evaluation to ensure the effectiveness of the information security management system
	Contact Information	Dedicated Manager and Staff in charge of Information Security set up by HFC Hotline: (02) 2502-4567 #16301 Dedicated email: HFC-INVESTOR@hfcfinance.com.tw

2.1 Corporate governance

GRI 2-9

Corporate governance has become the focus of attention of the capital market and various stakeholders. Good corporate governance should include a sound board of directors, transparent finance, the establishment of a culture of integrity in the enterprise, and effective internal audits. Establishing a sound corporate governance system helps reduce business risks, enhance competitiveness, and create long-term interests for the Company and shareholders. For HFC, a sound and effective board of directors is the foundation of sustainable operations. In order to establish a sound corporate governance system, we refer to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies formulated by the TWSE to formulate the Corporate Governance Best Practice Principles of HFC to strengthen and implement corporate governance. In light of the development trend of the international and domestic corporate governance systems, we review and update the contents of the principles on a regular basis so as to enhance the effectiveness of our corporate governance.

HFC applied the corporate governance evaluation for the first time in 2020, and the evaluation results for four consecutive years were 6% to 20% . Meanwhile, HFC has been included as a constituent of the TWSE Corporate Governance 100 Index for three consecutive years since it was first included in 2021. It is clear that HFC's performance in corporate governance and financial performance is highly recognized.



Corporate Governance Best Practice Principles:

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20\(5\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20(5).pdf)



Corporate governance structure of HFC



2.1.1 Professionalism, independence, and diversity of the board of directors

GRI 2-10、2-11、2-15、2-17、2-18、2-19、2-20、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," which stipulates that the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include. The "Rules Governing the Duties of Independent Directors" have also been formulated to clearly regulate the number of independent directors attending board meetings, matters to be resolved by the board of directors, the exercise of their powers and duties, as well as their continuing education, so as to enable the independent directors to carry out their functions effectively. Conflicts of interest and recusal are also specified in the Corporate Governance Best Practice Principles.



Regulations on the election of directors :

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20\(7\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20(7).pdf)

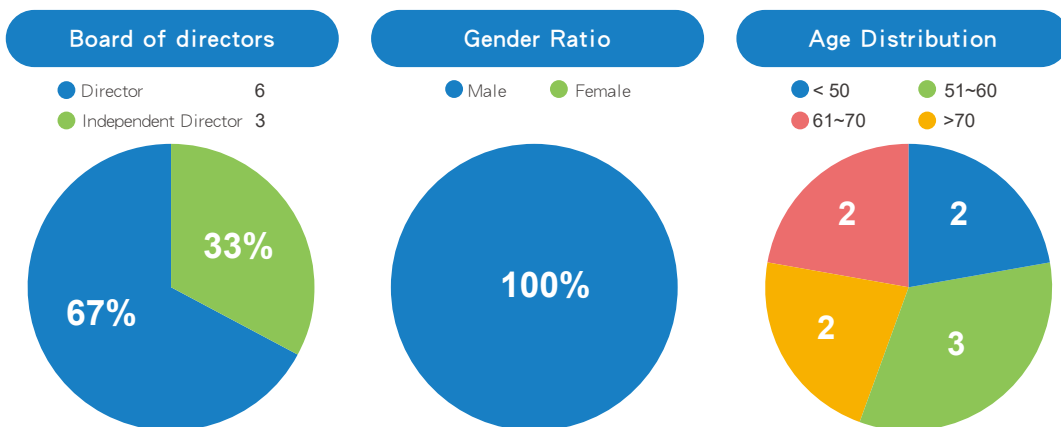


Rules governing the duties of independent directors :

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20\(9\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20(9).pdf)



Composition of directors



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.



Directors' background, tenure and related informatio

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



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

▶ 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 6 hours of training per year in accordance with the "Implementation Guidelines for the Training of Directors and Supervisors of TWSE/TPEX listed companies".

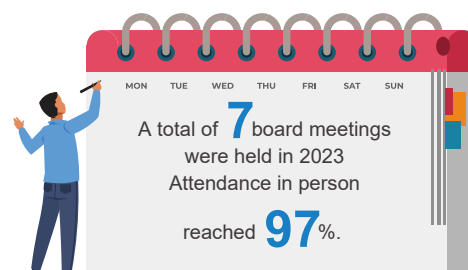
During 2023, the directors proactively participated in external training programs and seminars related to corporate sustainability, culture of integrity, internal control and risk management, and money laundering prevention, etc. The total number of hours spent on these programs and seminars was 114 hours, and the number of training hours per director was 12.7 hours .



▶ Operations of the board of directors

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.

A total of 7 board meetings were held in 2023. The in-person attendance rate of directors reached 97%. The directors proactively participated in and fully discussed in the meetings. In addition, in accordance with the "Regulations Governing Meetings of the Board of Directors," all directors are self-disciplined and recused themselves from participating in the discussion and voting on matters that they or the juridical persons they represent have an interest in and could be detrimental to the Company's benefits. Important resolutions made by the board of directors are also disclosed on the official website in accordance with the principle of integrity, openness, and transparency.



Important resolutions of the board of directors

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



▶ Board of directors performance evaluation

In order to enhance the effectiveness of the board of directors, HFC has formulated the "Board of Directors' Performance Evaluation Measures" and conducts a annual board performance evaluation at the end of December each year and an external evaluation at least once every three years. In the fourth quarter of 2023, HFC commissioned the Taiwan Institute of Ethical Business to conduct an external evaluation of the performance of the board of directors, and the results of the evaluation were reported to the board of directors on January 24, 2024. The performance evaluation was conducted by means of questionnaires and on-site interviews to assess the effectiveness of the board of directors and the functional committees respectively.



Board of Directors' Performance Evaluation Measures

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20\(8\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20221230011250%20(8).pdf)



2023 External evaluation of board of directors performance

	Operations of the board of directors	Board member
Evaluation item	<ol style="list-style-type: none"> 1. The degree of participation in the Company's operations 2. Improvement to the quality of the Board of Directors' decision-making 3. Composition and structure of the Board of Directors 4. Election and continuing education of directors 5. Internal control 	<ol style="list-style-type: none"> 1. Alignment with the Company's objectives and tasks 2. Perception of directors' responsibilities 3. The degree of participation in the Company's operations 4. Internal relationship management and communication 5. Professionalism and continuing education of directors 6. Internal control
Assessment results	The results of the performance evaluation of the board of directors and individual directors are all excellent	
Suggested improvement items and methods	<ul style="list-style-type: none"> • Strengthen the diversified composition of directors: In addition to adding at least one female director due to the regulatory requirements, directors with different professional backgrounds can also be considered to facilitate risk assessment. • Recording of comments in the meeting minutes: To facilitate reviewing past experience and strengthen future decision-making evaluation, it is recommended to only record important discussion. • In addition to the existing mechanism for receiving complaints, it is recommended to seek an external organization to be the recipient of complaints, and to enhance the reliability and proximity of the complaint hotline. • Continuous implementation of sustainable business practices: it is recommended to pay attention to the principle of fairness to customers and implement it progressively 	

▶ 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, employee remuneration, etc. The salary and bonuses are mainly determined according to the position and contribution; the employee remuneration is subject to the Articles of Incorporation of HFC 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.

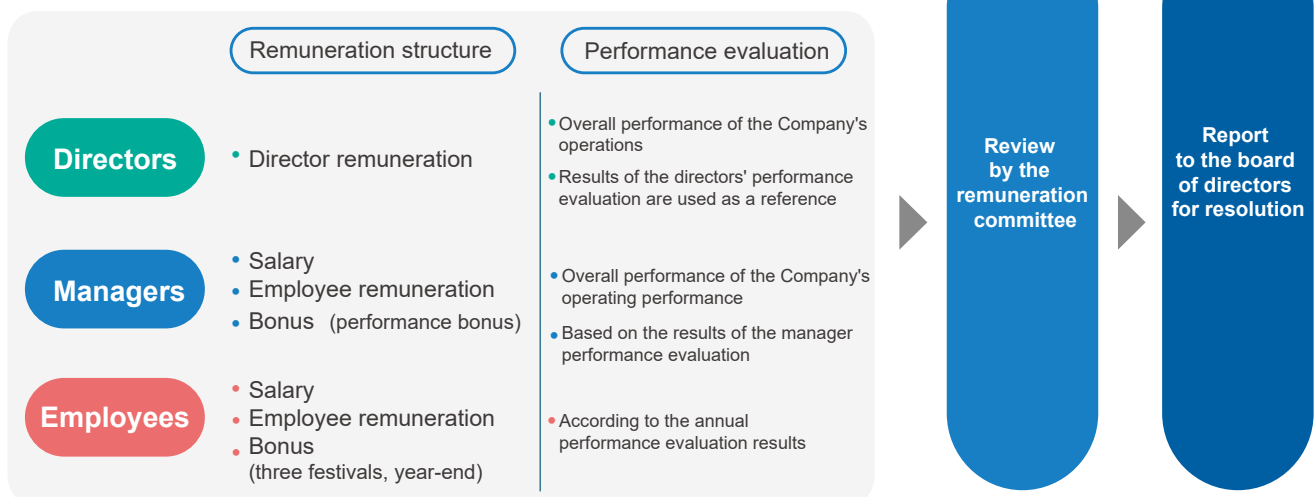


Salary information

<https://www.hfcfinance.com.tw/zh-tw/investor/shareholder-data>



In compliance with the “Articles of Incorporation of HFC”



Note: The composition of bonuses varies according to the nature of their business functions.

▶ 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.

For the execution of relevant business and the status of continuing education in 2023, please refer to the official website of HFC.



Governing personnel and operations

<https://www.hfcfinance.com.tw/zh-tw/corporate/122#cms2>




2.1.2 Functional committees

GRI 2-20

▶ 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 Governance System in this report for more information.



2 meetings were held during 2023.
Attendance in person reached **100%**.

Duties

- Reviewed the implementation of corporate social responsibility and sustainable development measures and suggestions
- Plans the direction of sustainable development and the annual implementation plan and progress



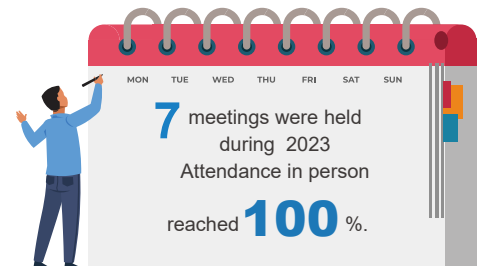
2023 ESG committee discussion matters and resolutions

<https://www.hfcfinance.com.tw/zh-tw/corporate/130#cms6>



▶ 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.



2023 Audit Committee Discussion matters and resolutions

<https://www.hfcfinance.com.tw/zh-tw/corporate/130#cms6>

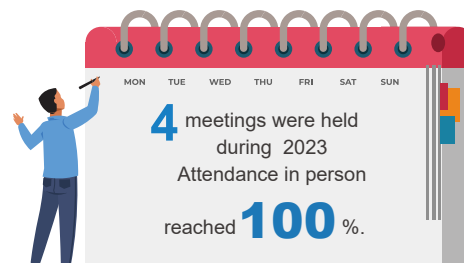


Duties

- 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

▶ 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.



2023 Remuneration committee discussion matters and resolutions

<https://www.hfcfinance.com.tw/zh-tw/corporate/130#cms7>

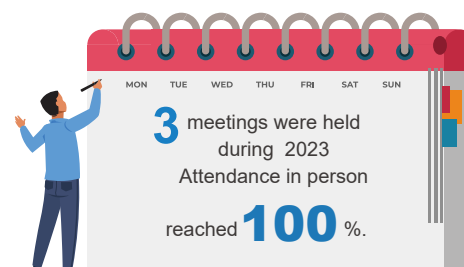


Duties

- 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 2023 to discuss asset quality management reports, money laundering and terrorism financing risk assessment reports, and amendment to the risk management policy. The attendance was 100%.





2023 Risk management committee discussion matters and resolution results

<https://www.hfcfinance.com.tw/zh-tw/corporate/130#cms4>



Duties

- 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 download and read the Company's information in a timely manner without language barrier.



HFC official 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 three full-time internal auditors. The audit department upholds the spirit of supreme independence, objective and impartial position, and professional due diligence to ensure the implementation of regular and irregular audits, and it also adheres to the principle of honesty and credibility when performing business, assists the board of directors and managers in inspecting and reviewing the "internal control system", measures the effectiveness and efficiency of operations, and provides timely recommendations for improvement. In addition, the audit department conducts extensive and in-depth audits and analyses of various operational activities to ensure that all business operations comply with laws and regulations. If there are any anomalies, the audit department will expose them and track them for improvement in order to fulfill the spirit of corporate governance. In 2023, 49 audit projects were implemented and completed, including derivatives trading, cyber security inspection, etc., and the related deficiencies were rectified.

2.2 Operation performance

GRI 201-1 \ 201-4

Since its establishment in 1999, HFC has always taken "satisfying customers' needs" as the guiding principle of its operation; by combining its own core competencies and developing the concept of sustainability, HFC has achieved good and stable growth in financial performance, which is the foundation for the stability of the Company's sustainable development.

"Strengthening the Company's core business," "developing diversified products," and "reinvesting in businesses" have always been the three important pillars for 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.

Since 2007, HFC has received "twAA-" credit rating for long term issues and received "stable" outlook rating from Taiwan Ratings for 17 consecutive years; since 2020, HFC has received "BBB" credit rating for long term issues from Standard & Poor's for 4 consecutive years. The Company continues to receive the best credit ratings as a domestic auto financing company, and has steadily maintained its position as a market leader in the automobile installment business.

► Direct economic value generated and distributed in 2023

Unit: Thousands of NTD

Generation of direct economic value	29,022,511
Operating revenues	28,660,435
Rental income	12,274
Interest income from deposits	27,751
Other income	301,203
Government subsidy income	20,914
Distribution of direct economic value	18,732,305
Operating costs	11,967,337
Employee Salaries and Benefits	3,460,876
Payment to investors: dividends paid	1,861,186
Income tax paid to the government	1,442,906
Retention of economic value	10,290,206

Note1: Based on the consolidated financial statements, the subsidiaries included in the consolidated financial statements include Hoyun International Limited, He Jing Co., Ltd., He Jun Energy Co., Ltd., and Hoing Mobility Service Co., Ltd.

Note 2: The revenue from government subsidies is generated from lighting and air-conditioning replacement subsidies and tax refund subsidies from the Mainland China government.

► Creating value for shareholders

Subject Matters	2021	2022	2023
Consolidated net profits after tax	3,530 million	4,070 million	4,092 million
Earnings per share	5.55	6.40	6.41
Consolidated return on assets	2.62%	2.68%	2.72%
Consolidated return on equity	14.36%	13.94%	11.23%
Dividend distribution	4.2	4.5	4
Dividend payout ratio	69%	64%	62%

Note: Dividend distribution in 2023 includes cash dividends of NT\$3 per share and stock dividends of NT\$1 per share.

► Tax management

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. Income tax expense paid in the last 3 years was as follows:

Year	2021	2022	2023
Payment of consolidated income tax	1,116 million	1,127 million	1,443 million
Payment of standalone income tax	692 million	834 million	1,080 million



2.3 Risk management

GRI 2-27、417-2、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.

In order to cope with the changing and increasingly stringent legal environment, HFC needs to consider various conditions to strengthen its ability to comply with laws and regulations, as well as prudently judge and manage and control the existence of risks, in order to achieve the goal of sustainable operations in an environment of multiple risks and challenges.

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



Risk Management Policy

[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20\(8\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(8).pdf)



► Important risk management policy

In 2023, each risk was under internal management measures, and there were no incidents that exceeded the Company's expectations or had a significant negative impact on the Company's financial statements.

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

Material Risks	Risk identification	Corresponding management measures	Responsible unit
Credit risk	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. Other businesses comply 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 2023, there was one case of violation of governmental regulations that resulted in a fine: At the beginning of the year, our subsidiary, Hoing Mobility Service Co., Ltd. (hereinafter referred to as "iRent"), was fined by the Taiwan Stock Exchange Corporation for the leakage of user information. Upon receipt of the relevant notice, HFC proactively urged its subsidiary, iRent, to establish relevant management standards. The fine of \$470,000 imposed by various authorities on the subsidiary iRent was entirely withdrawn after the appeal. 	All relevant departments
Information Security Risk	Failure to maintain information security will affect the Company's operations and reputation	<ul style="list-style-type: none"> Taking into account the development and needs of related businesses, we have formulated the "Information Security Policy" and established the "Personal Information File Management Standards" and other management standards and control systems in accordance with the relevant matters stated in the policy. In order to strengthen information security management, we established a secure and trustworthy information operating environment to ensure the safety of data, system, equipment and network. 	Information Department
AML Risk	Failure to implement KYC (Know Your Customer) will result in a lack of proper 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 the annual monitoring of high-risk cases, we also manage high-, medium- and low-risk cases with different intensity according to their risk levels: [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
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, 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
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 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

2.4 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. In 2023, there were no corruption and anti-competitive activities in HFC.

► Ethical management implementation organization and process

Board of Directors

Supervisory unit: Audit Department

Regularly supervise the implementation of ethical management and report the implementation directly to the Board of Directors

Responsible unit: Relevant units

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.

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.



We did not receive any whistleblowing cases or complaints in 2023.

► Internal regulations for ethical corporate management of HFC



Ethical Corporate Management Principles



[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20\(4\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(4).pdf)



Procedures for Ethical Management and Guidelines for Conduct



[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20\(5\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(5).pdf)



Code of Ethical Conduct



[https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20\(6\).pdf](https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20222530012505%20(6).pdf)



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. Foreign 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 canceled or terminated without notice. In 2023, all suppliers signed the Letter of Commitment and CSR clauses.


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 2023, we offered seven courses on ethical management to all employees, topics including the intellectual property rights, anti-bribery, information security education, insider trading prevention. An average of 996 employees completed the training in each course, and the total accumulated training hours amounted to 4,512.5 hours.

▶ Results of 2023 internal regulations for ethical corporate management of HFC


Subject	Communication channels	Achievements in 2023
Directors	We disseminate information in writing and organize director's training courses.	<ul style="list-style-type: none"> All directors and the chief corporate governance officer completed a 3-hour money laundering prevention course Directors and senior managers issued monthly written notices promoting the prevention of insider trading
Employees	We promote ethical corporate management measures and company policies through education and training courses.	We organized 7 courses with an average of 996 employees completing each course, accumulating 4,512.5 hours of training
Suppliers	Suppliers are required to sign supplier undertakings and a corporate social responsibility clause to promise not to engage in bribery.	100% of suppliers signed the supplier undertakings, corporate social responsibility clauses

▶ Introduction of the Taiwan Intellectual Property Management System


HFC continues to diversify its business. In addition to the establishment of subsidiaries (He Jun Energy and He Jing), HFC has renewed its merchandise installment brand (Pay4U) and its mascot in order to carry out its digital transformation. In order to properly control the management of trademarks and other intellectual property, through the development and optimization of the intellectual property management system, we have strengthened our intellectual property risk management while deepening our cooperation with companies related to the industrial value chain, and continued to enhance the Company's brand image in order to strengthen our brand penetration rate. Through the refinement of the intellectual property management system, such as the mechanism of trademark acquisition, protection, maintenance and utilization, the recognition of various service-related brands of HFC and its subsidiaries will be strengthened by the general public, thereby facilitating the diversified development of HFC and its subsidiaries. We have also strengthened our training and communication to enhance the intellectual property awareness of our staff and to promote the Company's compliance with corporate governance and intellectual property laws and regulations. In 2023, HFC formulated 4 annual intellectual property management goals and achieved all of them:




(1) Established an intellectual property management mechanism that focuses on trademarks



(3) Formulated model clauses for the attribution of intellectual property with partner companies.



(2) Organized at least 4 educational trainings related to the intellectual property management mechanism



(4) Obtained the Class A specification of the Taiwan Intellectual Property Management System (TIPS)

As of the end of 2023, HFC had a total of 146 copyrights including advertisements, publicity, and educational and training materials produced by HFC, according to the results of the 2023 intellectual property inventory. Regarding the 11 trademark rights, 10 trademarks have been registered and are currently effective, and one is under application.

2.5 Regulatory compliance

GRI 2-27

HFC emphasizes the importance of legal compliance and discipline, upholds the principle of ethical business practices and reviews the latest changes to its legal database from time to time. When changes in laws and regulations related to the Company are detected, we will notify the relevant units to conduct impact assessments and report to the superior. Coupled with occasional education and training (including but not limited to online law courses and law dissemination), we continue to strengthen compliance management, deepen the company's legal compliance culture and strictly ensure that all business activities are in compliance with legal requirements. In addition, to ensure the excellent tradition of ethical corporate management, there are detailed rules for different positions and levels to follow.

The definition of a material event by HFC is an event that requires the issuance of a material information statement pursuant to the law. In accordance with the "Operational Procedures for the Handling of Material Internal Information of Hotai Finance Co., Ltd.," a dedicated unit shall conduct an investigation of the event. Projects shall be submitted to the president for project explanation, including response handling, follow-up tracking, and improvement strategies.

In 2023, there was one material case of violation of governmental regulations that resulted in a fine: At the beginning of the year, our subsidiary, Hoing Mobility Service Co., Ltd. (hereinafter referred to as "iRent"), was fined by the Taiwan Stock Exchange Corporation for the leakage of user information. Upon receipt of the relevant notice, HFC proactively urged its subsidiary, iRent, to establish relevant management standards.

► 2023 Significant events that stakeholders are concerned about and measures to improve them

Cause	Basis of Penalty	Improvement measures
Personal data breaches occurred at subsidiary iRent	HFC was fined NT\$ 50,000 by TWSE for failing to comply with "Regulations Governing Establishment of Internal Control Systems by Public Companies" of TWSE in supervising and managing subsidiaries	<ul style="list-style-type: none"> Measures to improve the internal control system: Include the relevant improvement plans and rectifications in the "HFC Supervision and Management Audit Plan for Subsidiaries", and conduct audit and follow-up once a year.
	The subsidiaries were fined \$470,000 by Department of Transportation, Taipei City; Department of Transportation, New Taipei City; Department of Transportation, Taoyuan City; and the Ministry of Transportation and Communications, but all four fines were revoked after appeals.	<ul style="list-style-type: none"> The IT Department of iRent immediately started processing and strengthened database security protection. At the same time, the IT Department conducted a comprehensive system review to clarify the actual scope of possible impacts. iRent regularly conducts vulnerability and penetration scans of the mainframe system, and the iRent App also conducts source code scans on a regular basis. Moreover, the entire transaction process is encrypted with SSL security.

2.6 Information security and personal data protection

2.6.1 Information security management

GRI 418-1

HFC obtained the ISO 27001:2013 Information Security Management System (ISMS) certification in 2022 and pass an annual re-assessment in 2023 to ensure the ISMS confidentiality, integrity, and availability. We regularly conduct 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. There has been no information security violation in HFC in the past 3 years.

● Information security management policy



▶ Information security management

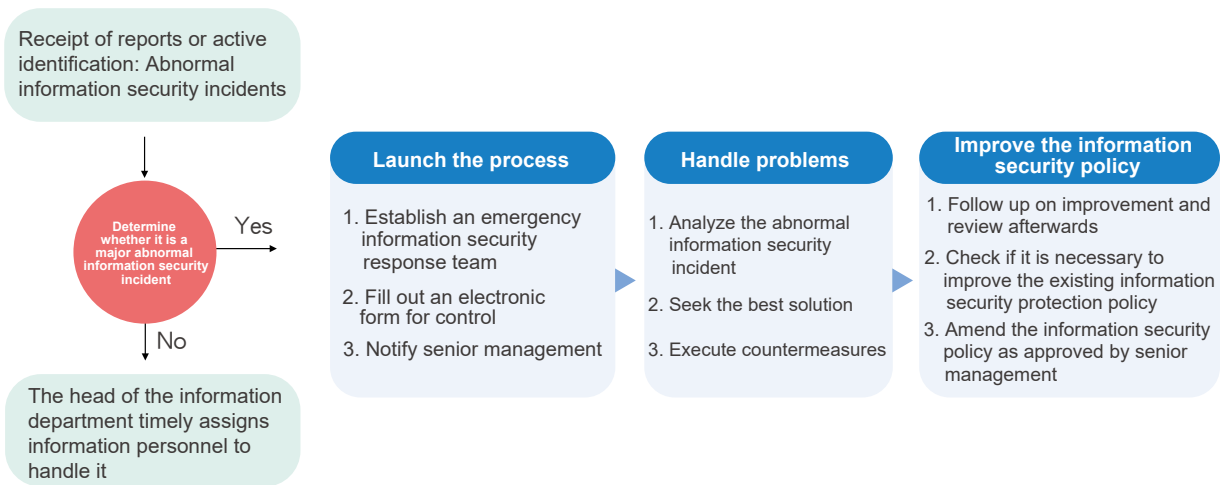
In recent years, with frequent cyberattacks and network information and product security issues, information security issues have become more important to enterprises and the public sector. How to control and alleviate such risks and reduce losses has become the priority of business management.

The "Global Risks Report 2023" of the World Economic Forum pointed out that cybercrime ranks among the top 10 risks in the world. In particular, the number of ransomware cases has increased dramatically around the world, and the majority 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 management organization

Reason	Improvement methods
Responsible information security officer Information department manager	<ul style="list-style-type: none"> Determine and provide the resources needed to establish, implement, operate and maintain the management system. Regularly report the "Information Security Management System (ISMS)" management review meeting conclusions, implementation results and improvement suggestions to senior executives. Responsible for early warning and monitoring of information security status, and handling information security situations and incidents.
Information security implementation team	<ul style="list-style-type: none"> Risk management: Establish the information security risk management procedure and perform assessments on a regular or irregular basis every year. Incident management: Establish the prevention, response, and recovery handling operations for information security incidents.
Internal audit team	<ul style="list-style-type: none"> Formulate internal audit management procedures.
Emergency response team	<ul style="list-style-type: none"> The team adheres to the ISMS-P-09 Cyber Security Incident Notification and Response Management Procedures.

● Information security incident management 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 HFC in the last three years

Subject Matters	2021	2022	2023
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 also commissioned an information security consulting company to perform vulnerability scanning to comprehensively assess the weaknesses of information systems and the overall information security risk level. A total of 3 vulnerability scanning was performed in 2023. Third-party scan reports provide HFC with clearer information security improvement guidelines and professional advices.

▶ 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 Company must cooperate.

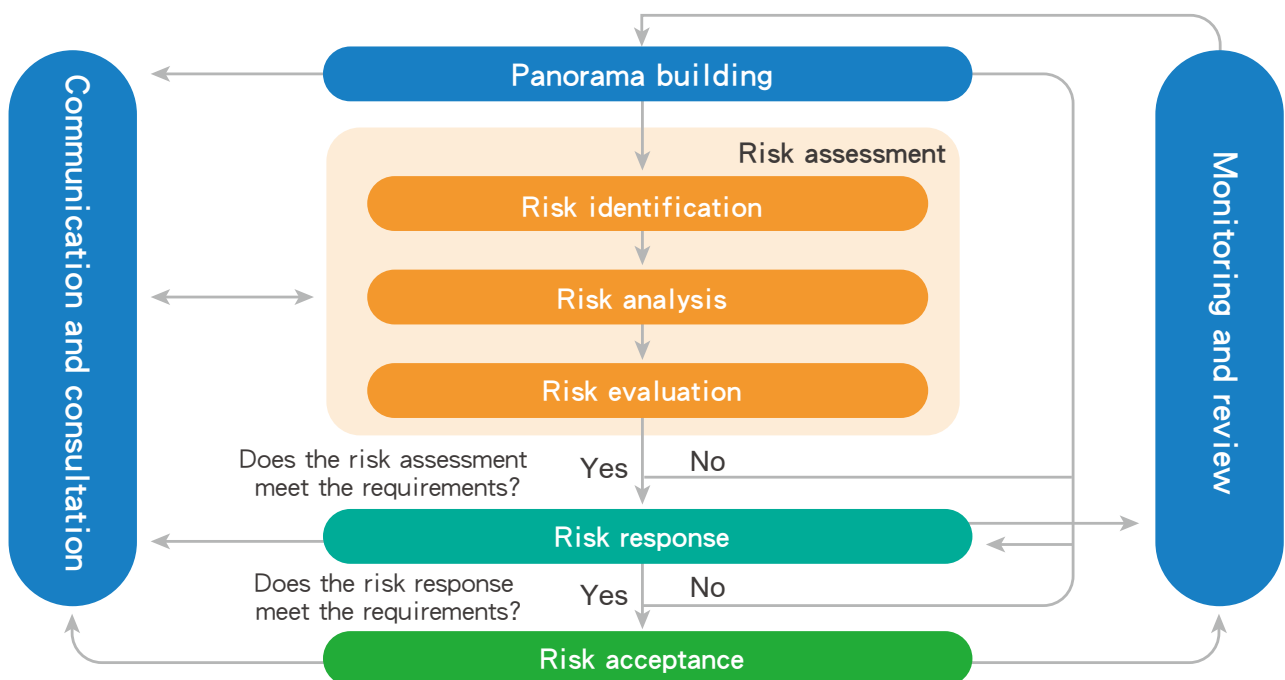
The audit mechanism and method differ by level. The monthly audit schedule is formulated by the Information Department to audit systems or system functions going live for information security risks, to ensure the normal operation and alignment of new systems or functions with needs.

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 Company'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

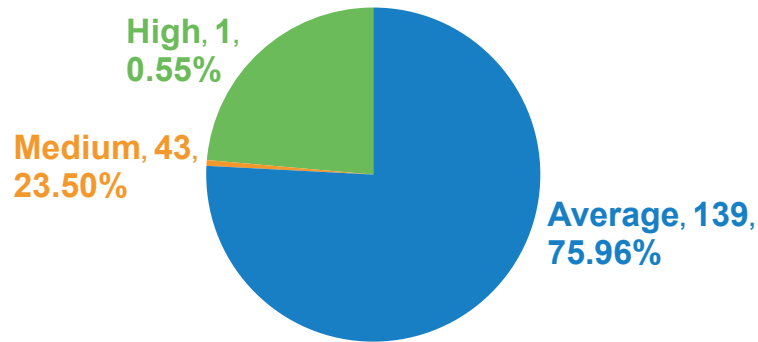
We regularly review the Company's information asset risks and formulated an information asset risk response program in accordance with the ISO 27001 ISMS process to review and improve the one "high" risk.

◎ ISO 27001 ISMS process



Information asset assessment results and risk response plan

In 2023, we conducted a risk assessment of 171 information assets and identified a total of 183 vulnerabilities and corresponding threats. There were 1 high, 43 medium, and 139 average risks.



One unacceptable high-risk "Veritas Net Backup 5240" project was reviewed, and a risk management plan was formulated as follows:



Since "Veritas Net Backup 5240," has been in operation for many years and there is a high vulnerability of "insufficient system resources," continued use poses a high risk of hardware failures. We planned to purchase new equipment to expand the system resources with the aim of reducing the risk of hardware failure caused by insufficient system resources.

Improving information security awareness of all employees

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. In 2023, we offered three courses to employees, and a total of 3,271 people completed the three courses on the Personal Data Protection Act, intellectual property rights, and information security.



2.6.2 Personal data security protection

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. In 2023, the Company also established the Consumer Personal Data Security Maintenance Plan to fully protect customers' personal data. There were no violations of the Personal Data Act or leaks of customer information in HFC in 2023.

► Key personal data protection items

Key personal data protection items	Purpose or effect	Performance in 2023
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 conducted a Personal Data File list inventory on May 18, 2023 to complete the current status update of personal data maintained by each department.
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.	On October 1, 2023, we conducted an inventory of our "internal authorization system" to confirm and update the system rights of all employees.
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.	<ul style="list-style-type: none"> In 2023, a total of 3,271 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 2023, there were no material violations of governmental laws and regulations that resulted in penalties in HFC.
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.

► Measures to strengthen information security management of subsidiaries

In early 2023, there was an incident of user personal data leakage at a subsidiary (iRent). Upon receipt of the relevant notification, HFC has actively urged its subsidiaries to establish management standards and to incorporate information security improvement plans and corrective actions into its subsidiaries' supervision and information security audit programs to strengthen the monitoring of its subsidiaries' information security. Subsidiaries have also upgraded information security protection to the highest standards and adopted a more rigorous attitude to manage user data and ensure its proper storage and use. Key enhancement measures are as follows:

Stage	Key enhancement measures	
Contingency measures in the first place	Immediately implement database deficiencies and blockages upon receiving a report.	
	Notify customers in the first place and conduct anti-fraud publicity on the official website to ensure customers' rights and interests.	
Enhancement of management actions and approaches	Encryption and security mechanisms for transmission over the internet	Implement SSL security encryption system and complete the upgrade
	User identity verification and protection mechanism	The backend of the system is managed using MFA/privileged accounts.
	Personal data protection upgrade	<ul style="list-style-type: none"> Personnel data cryptographic mechanism Access control and protection measures for personal data files and databases
	Measures to prevent intrusion from external networks	<ul style="list-style-type: none"> To introduce 7x24 external information security rating intelligence service To strengthen intrusion detection system, web application firewall, and endpoint protection system.
	Illegal or abnormal user behavior monitoring and response mechanism	7x24 SOC information security event monitoring
Implementation of regular drills and supervision	Information security health consultation (once a year)	
	External information security rating advisory service (quarterly)	
	Periodic vulnerability and penetration scanning of mainframe (once per year)	

3 Customer Value

Material topic management

3.1 Sustainable and inclusive services

3.2 Investment in sustainability and cleanliness

3.3 Customer rights and services

3.4 Digital innovative services



Material topic management



Material Topics

Customer rights and services

International frameworks and indicators

SASB Sales

Self-defined topics



Impact description

Emerging financial risks and disputes have recently attracted much attention. By planning sound management measures, such as customer service channels, feedback mechanisms, and increasing the transparency of product information, we can not only protect the rights and interests of customers but also avoid the occurrence of consumer disputes.

Actual

Potential

Positive

Negative

Policy commitment

- Continue to promote digitalization and improve service quality
- The "Customer Complaint Handling Standard Operating Procedures" has been established, and designated personnel will continue to track and follow up the case handling status according to the circumstances of each case.

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Implement customer complaint procedures and management	There were 7 material customer complaints which are 100% filed and tracked	V	<ul style="list-style-type: none"> • To follow up on 100% of major customer complaints • To analyze common causes of customer complaints and make systematic improvements 	To completely reply to customer complaints and optimize and improve business execution
OJT training	Course completion: 100%	V	<ul style="list-style-type: none"> • Online course/attendance rate: 100% • To implement standard customer service replies 	<ul style="list-style-type: none"> • Online course/attendance rate: 100% • To implement standard customer service replies
Digital communication channels	Utilization rate of digital channels: 42%	V	<ul style="list-style-type: none"> • To achieve 60% utilization rate of digital channels • To optimize LINE text customer service and automated replies 	<ul style="list-style-type: none"> • To achieve 80% utilization rate of digital channels • To optimize LINE text customer service and automated replies

Stakeholders	Engagement channels and effectiveness	
Corporate Customers & Individual customers	Channel/frequency	LINE mobile customer service/irregularly, information disclosure on the official website/irregularly
	Effectiveness	<ul style="list-style-type: none"> • In 2023, a total of 232,706 inquiries were made by telephone. The average customer call processing time was 3.1 minutes, a 24.3% improvement in processing efficiency compared to 2022 (4.1 minutes) • 42% of customers used the LINE online customer service channel, with an average of 10,294 inquiries per month, 44% of which were resolved through automated responses to FAQs
	Contact Information	Customer service hotline: (02) 2276-1511 Digital communication channels: LINE official account, online customer service Feedback mailbox : https://www.hfcfinance.com.tw/contact

3.1 Sustainable and inclusive services

HFC's main product is the vehicle/equipment/goods instalment business, which provides installment solutions to customers so that they can have more flexible payment options. In terms of the leasing business, we mainly provide enterprises with financing services for various equipment, semi-finished products or raw materials on a leasing basis.

While the financial industry is booming, "inclusive finance" and "green finance", which are aimed at fulfilling social justice and responding to sustainable development, are also attracting market attention. As a financial services provider, HFC continues to deepen the connection between products/services and sustainability, making sustainability the DNA of HFC's business, and is committed to improving the quality of life while contributing to environmental sustainability.

3.1.1 Inclusive services

The UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) stated "inclusive finance is a driver of economic growth, job creation and social development," which shows the key role that financial services play in the process of social development. 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 vehicles. As such, we approve loans through a more simplified and faster process to provide services in alignment with business owners' needs and support SMEs to operate steadily and pursue their dreams pragmatically in the process of rapid growth.

► Inclusive services in the last 3 years

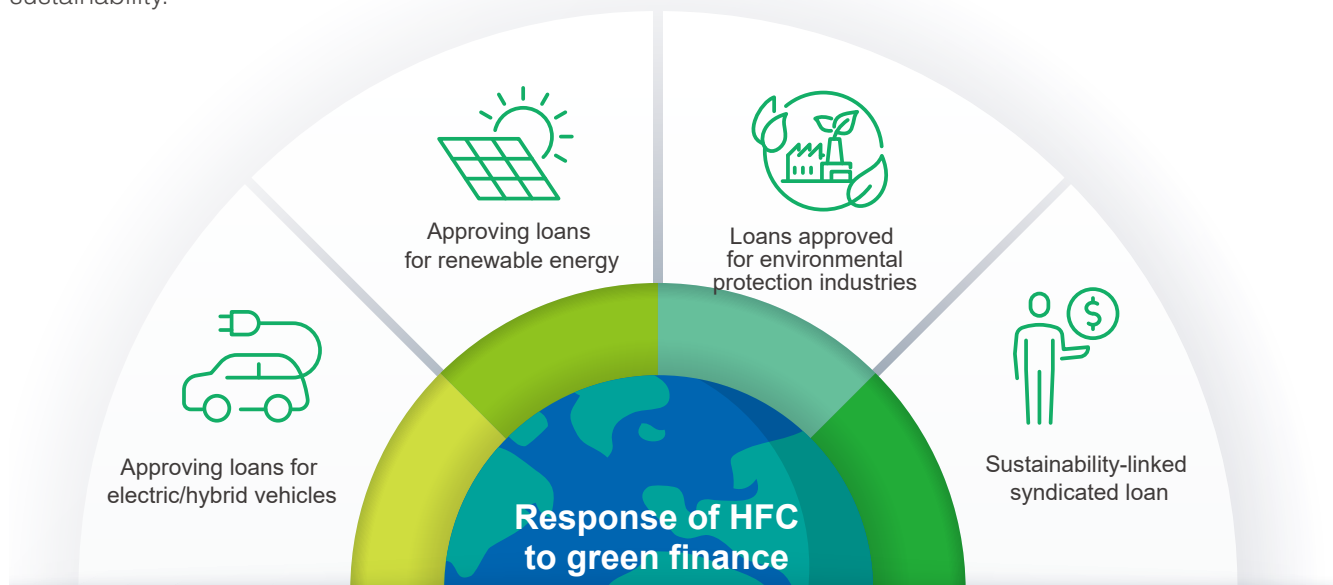
Year	2021	2022	2023
Clients	SMEs		
Service content	86.0% of the total amount undertaken for SMEs	91.4% of the total amount undertaken for SMEs	85.4% of the total amount undertaken for SMEs
Number of cases served (Loans and installments)	A total of 4,681 loan contracts	A total of 2,991 loan contracts	A total of 3,529 loan contracts
Total amount	All loans provided amounted to \$14.179 billion	All loans provided amounted to NT\$10.524 billion	All loans provided amounted to NT\$12.296 billion
Non-performing loan ratios ^{Note}	0.52%	0.83%	0.39%

Note: Non-performing loan ratios = non-performing loan cases/total retained amount. Over the past three years, the quality of the assets has been maintained at a good quality, and the ratio of non-performing loans is less than 1%.

3.1.2 Green finance

The World Economic Forum (WEF) mentioned in the Global Risk Report 2023 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.

At the same time, the National Development Council of the Executive Yuan officially announced the "2050 Net Zero Emission Policy Roadmap" in March 2022, which clearly stated the goal of expanding the use of renewable energy and achieving 100% market share of electric vehicles/electric scooters by 2040. HFC is actively responding to SDG 7 Affordable and Clean Energy and SDG 13 Climate Action. We have launched "Green Installment Products" with the renewable energy businesses in response to the government's 2050 net-zero emissions goal, and are striving to strike a balance between business operations and environmental sustainability.



► Amount of approved loans for electric/hybrid vehicles

Year	2021		2022		2023		Growth Rate compared to 2022
	Number of approved loans	Amount of loan approved (\$100 million)	Number of approved loans	Amount of loan approved (\$100 million)	Number of approved loans	Amount of loan approved (\$100 million)	
Electric vehicles	281	4.69	1,753	15.72	1,030	18.75	+19.3%
Oil-electric vehicles	12,015	91.14	13,148	100.47	15,084	135.94	+35.3%
Electric motorcycles	13,689	15.59	19,400	37.50	6,625	10.98	-70.7%
Subtotal	25,985	111.42	34,301	153.69	22,739	165.67	+7.8%

► Amount of approved loans for renewable energy

Year	2021	2022	2023
Loans provided during the year (in NT\$100 million)	1.09	2.21	1.17
Amount of cumulative loans disbursed (in NT\$100 million)	5.55	7.76	8.93

Note: The identification criteria for the renewable energy industry is based on the business data provided for industrial and commercial registration to the Administration of Commerce, MOEA.

Under the trend of net zero carbon emissions, the supply chain is facing the challenge of green transformation, and environmental protection issues such as waste reduction and energy and resource recycling have become the focus of the market. In response to the demand for emerging technologies and equipment, HFC provides equipment financing to clients in the environmental protection industry who do not have adequate access to capital, solves the needs of clients for equipment purchases, and provides timely working capital to enable clients to smoothly undertake projects to facilitate the promotion of the environmental protection industry. Some examples are pollution remediation business (including wastewater and sewage treatment industries, waste clearance and treatment industries, and resource recycling and processing businesses), and recyclable materials wholesaling business.

► Amount of loans approved for environmental protection industries

Environmental protection industry	2021	2022	2023
Pollution remediation industry (hundred of millions of NTD)	1.26	0.37	2.40
Wholesale of recycled materials (hundred of millions of NTD)	0.79	0.46	0.40

Note: The identification criteria for the environmental business is based on the business data provided for industrial and commercial registration to the Administration of Commerce, MOEA.

► Sustainability-linked syndicated loan

The Company needs to influence more stakeholders and work together to make a difference. HFC actively responds to and promotes sustainable finance by "connecting different stakeholders in the value chain", linking up with "ESG" from the acquisition and use of capital, and co-operating with banks in the signing of sustainability-linked loans. From 2021 to date, the cumulative amount of the responsive sustainability-linked loans has reached \$68.8 billion.

HFC's latest sustainability linked loan is a three-year, \$29.5 billion "HFC sustainability linked syndicated credit facility" signed with a group of domestic banks on January 3, 2024. The loan was organized by CTBC Bank with the participation of 11 domestic financial institutions. The case was finally closed at \$29.5 billion, with an over-subscription rate of 148%, which indicates that financial institutions highly recognized HFC's strategic direction of combining operations with sustainability goals. The loan is the biggest fundraising by a single company in the lease installment industry in recent years.

In addition to maintaining the business operations, the funds in the sustainability linked syndicated loan 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.

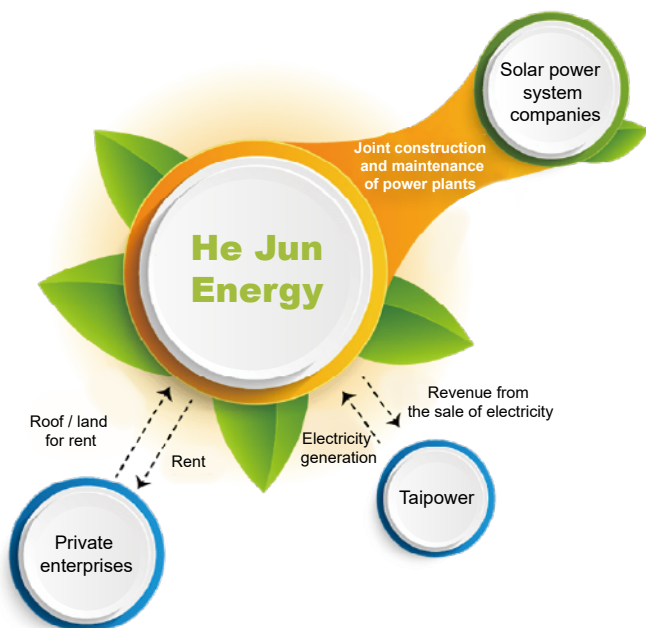
3.2 Investment in sustainability and cleanliness

In 2021, HFC set up a dedicated green energy unit to develop green energy business, invest in new energy, and set up an independent solar energy division. The solar energy division was created as a separate entity, and "He Jun Energy" was established in 2022. By adhering to the three major directions of "prioritizing energy creation; accelerating energy storage; synchronizing charging and electricity sales," He Jun Energy is committed to the development of green energy industry in all aspects of energy creation, storage and charging, and provides various green energy solutions to maximize the efforts for environmental sustainability.

► Results of investment in sustainability and cleanliness in 2023

Investment aspect	Description of business	Performance and benefit
<p>Energy creation</p>	We participated in the construction of solar power plants and provide financing services to solar power companies for the purchase of materials and construction. We respond to green finance to achieve a common vision of environmental sustainability and energy transformation.	There were 211 metered solar power farms, with a total installed capacity of 60.1MW. The estimated carbon reduction benefit is approximately 36,593 tonnes of CO ₂ e per year.
<p>Energy consumption</p>	By leveraging our experience and resources in power plant maintenance and operation, we are committed to the distribution, construction, and maintenance of charging piles. We work with strategic partners to accelerate charging station construction and shape the electric vehicle ecosystem.	The number of charging piles in operation has reached 80.
<p>Energy storage</p>	We are actively looking for energy storage business partners to develop frequency modulation and operation services, energy storage for large users, etc., in order to support the implementation of net-zero carbon emission and recycling strategies.	We completed the first energy storage system, with an installed capacity of 2MW

Note: MW*1000*3.37 hours (average effective time of sunshine)*365 days*0.495 kg (electricity carbon discharge coefficient in 2022).



106 contracted and under construction sites

Total capacity broke through 214MW

In terms of the "energy creation" business, He Jun Energy also plays a key assist role in the solar energy industry chain—green energy investment. By leasing suitable space and matching with system companies, we participate in the construction of solar power plants and provide reasonable remuneration to the lessor, thereby giving stakeholders a sustainable solution that satisfies both "environmental sustainability" and "economic development" at the same time. Since its establishment, He Jun Energy has continued to increase its investment in power plants, and it holds three types of sites: ground-based, water-based and roof-based plants.

As of December 31, 2023, the number of metered self-constructed and acquired power plants has reached 211; 106 sites have been contracted and are under construction, with a combined capacity of more than 214MW. In 2022, He Jun Energy worked with Laketricty 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.



One 3A-class charging station
26 charging stations 80 charging piles in operation

"Electric vehicle" is a key part of "Taiwan 2050 Net Zero Emission Pathway and Strategy." The Government has also set the targets of fully electrifying urban buses and public service vehicles by 2030 and achieving a 100% market share of electric sedans and motorcycles by 2040. In terms of the "energy consumption" business, He Jun Energy actively responds to and addresses the "mileage anxiety" felt by people purchasing electric vehicles. In 2023, He Jun Energy officially entered the "charging pile industry" and established the brand, EV Run. The first Class 3A charging station (all brands, all specifications, and all operating hours), "EVRun Shilin Electric Vehicle Super Charging Station," was opened in the June to provide full-time charging service for owners of all types of electric vehicles. Taking Lexus RZ450e as an example, a 30-minute charge can deliver 80% of the

battery's power for about 360 kilometers of driving. In addition, in 2023, 61 7KW charging piles were installed at 11 Shin Kong Mitsukoshi branches throughout Taiwan, providing a total of 60,000 kWh of charging service for about 7,000 vehicle visits in order to satisfy the needs of vehicle owners. As of the end of 2023, He Jun Energy has officially operated 80 charging piles.



In recent years, "energy storage systems" have become a potential emerging sector in the global power industry. The most important feature of the system is the ability to dispatch power in a timely manner without the need for human control. In addition, due to the indirect generation of renewable energy, the energy storage system can also improve the flexibility and response time of power dispatching. Energy storage systems play a key role in the development and establishment of energy resilience. In response to government policy, He Jun Energy completed its first energy storage system in 2023, with an installed capacity of 2MW. Since the September, He Jun Energy has participated in the power trading platform and provided the electricity frequency modulation and operating service for the entire Taiwan, thereby becoming a member of Taiwan's stable power suppliers.

Following the successive amendments to the Electricity Act and the Renewable Energy Development Act, the government adopted the green power first principle to liberalize the direct supply, sub-supply, and free trading of renewable energy power retailers to open up a brand-new trading model, thereby implementing green electricity liberalization. To capture sustainable business opportunities, in 2023, He Jun Energy also officially established an electronics sales subsidiary, "Hejun Electricity," and obtained a power sales license in September. The subsidiary is expected to expand the green power trading market in 2024 and assist various companies in green power trading.

3.3 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	Customer Communication Achievement in 2023
Telephone	Application: 0800-365-365 Customer service: (02)2276-1511 Halfway settlement: (02)5599-9955	A total of 232,706 inquiries were made by telephone. The average customer call processing time was 3.1 minutes, a 24.3% improvement in processing efficiency compared to 2022 (4.1 minutes).
Line Text Customer Service	LINE ID: @hfcfinancecs	42% of customers made an average of 10,294 inquiries per month through the official Line account, 44% of which were solved through automatic direction to FAQs.
Loan application consultation	https://www.hfcfinance.com.tw/	In 2023, there were 3,475 online loan consultation applications, accounting for 1.13%.
Stakeholder Mailbox	Communicate with relevant stakeholders through the investor mailbox.	The communications in 2023 were mostly about institutional investor inquiries and customer complaints. 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.

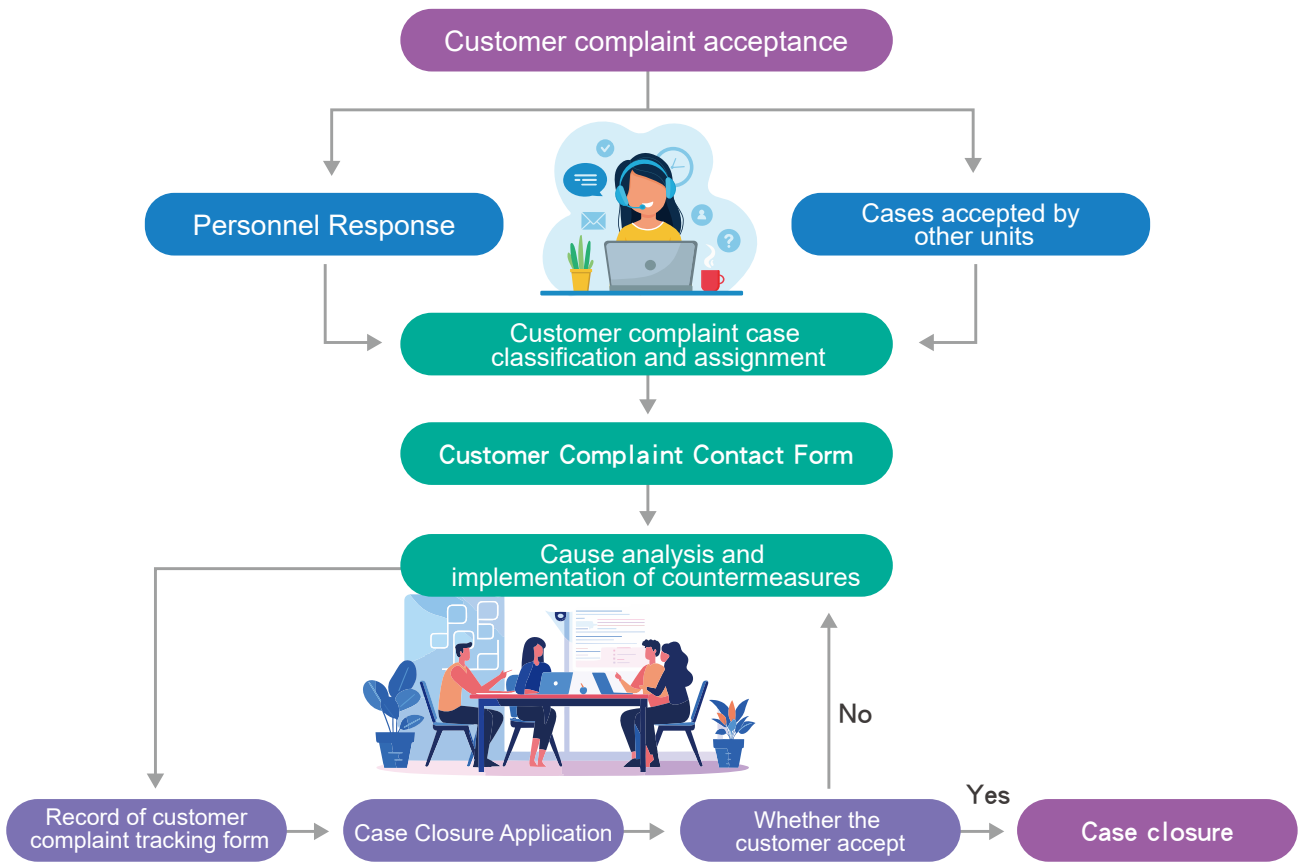
► Customer complaint assignment and optimization

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	

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 handling process



► Complaints handled in 2023

Number of days of handling	A	B	C	Total	%
0-3 days	7	9	0	16	94.12%
4-5 days	0	0	1	1	5.88%
Exceeding SOP	0	0	0	0	0.00%
Total	7	9	1	17	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 2023, showing that we resolved customer problems efficiently, and the number of customer complaints received in 2023 decreased by about 73.84% compared with the prior year. In addition, 90% of the general customer complaints (levels B and C) were processed early within zero to three days in 2023; meanwhile, 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 2023 is a case in point:

Customer complaint case and how HFC handled it

● Incident summary description - client experience

A car owner who received imposter cold calls abroad expressed strong dissatisfaction with the customer service persons. The person continued to receive cold calls from the caller claiming to be from HFC even though the person had already expressed inconvenience in answering the calls. The client called customer service persons and requested the supervisor to call back to explain the reason and apologize.

● Company Response

- **Immediate reporting by customer service personnel:** The customer service department reports the customer's status to the supervisor in the first place.
- **Quick response to Clients:** The customer service manager immediately contacted the owner of the vehicle and clearly informed him/her that the call was made by a person other than the company's staff.
- **Explanation and clarification:** The supervisors clarified that the Company has adjusted its caller display number to the local number (02-55*****) to prevent scams, and that any other number claiming to be the Company is an imposter.
- **Apology:** The supervisor shall apologize to the customer and emphasize that the customer did not need to pay attention to the imposter sales calls.

● Representation of ESG Values

- **Social topics:** The Company shows a high degree of sensitivity to customers, responding quickly and solving their problems to protect their emotions and rights.
- **Objective environment:** The Company responds to and cooperates with government policies to proactively prevent fraud, take the initiative to adjust the calling number displayed, and take practical measures to minimize potential risks.
- **Corporate mechanism:** The company transparently reports no calling records and responds quickly to customers, reflecting the transparency of corporate governance. At the same time, the Company marks "Do not make further marketing calls to this customer" in the system to reinforce the rigor of risk management.

● Customer feedback

The client is satisfied with the Company's prompt responses and explanations, and recognize the Company's high efficiency in solving problems. In particular, the client recognized the Company's honesty and was reassured by the promise that he would not be subjected to further cold calls, which may in turn affected his overall travel mood. Through concrete actions, HFC demonstrates its commitment to customer services and risk management and practices ESG values. The Company will also continue to provide quality service and protect customer value through transparent reporting and prompt response to customer needs.



► 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 face, 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.

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), movies and a singing club offered by HFC.



3.4 Digital innovative services

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.

<p>Payment methods</p>	<ul style="list-style-type: none"> Automated teller machines (ATM) payment: By the 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): Customers can apply for automatic monthly debit of their usual bank account for installment payment. 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>

► Paperless services

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

We saved about 26.85 million pieces of paper and reduce about 204,060 kg of CO₂e per year

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

► Diversified digital tools for HFC

Service	Service content	Benefits from the implementation in 2023
Easy Pay app	Provide customers with diverse payment methods and loan/payment information inquiry	<ul style="list-style-type: none"> Paper saved: About 946,000 pieces of paper/year 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 4,473,000 pieces of paper/year
Mobile sign-off app	We provide a mobile office for supervisors to sign off documents anytime and anywhere to increase work efficiency and customer satisfaction.	<ul style="list-style-type: none"> Benefits: Accept incoming cases/disburse loans anytime and anywhere, and keep abreast of the progress of cases in real time
Golden Motor Loan App	The app includes the functions below: <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 639,000 pieces of paper/year Benefits: Improve incoming case efficiency and keep abreast of the progress of cases in real time
Identity verification by video conference	Replace manual identity verification with video conferencing <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 442,000 pieces of paper/year 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 3,735,000 pieces of paper/year Other benefits: Improved efficiency of incoming cases
EZ Report (daily performance report)	<ul style="list-style-type: none"> Scenarios: vehicle installment payment/trade marketing/ equipment (department/division/sales)/telemarketing Digitalization of management reports: performance reports, orders placed but not completed, information kits not returned, unsettled chattel insurance, collections made by the court, and document delivery management. 	<ul style="list-style-type: none"> Paper saved: About 8,000 pieces of paper/year Benefits: Keep abreast of performance and case status in real time
Car Loan (heavy vehicle app)	<ul style="list-style-type: none"> Incoming heavy vehicle cases and disbursement (under development) 	<ul style="list-style-type: none"> Paper saved: About 501,000 pieces of paper/year Benefits: Improve efficiency and keep abreast of the progress of cases in real time
Distribution channel service platform	Scenarios: Incoming cases from trade marketing companies and disbursement App includes the functions below: <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 9,803,000 pieces of paper/year Benefits: Keep abreast of incoming cases and disbursement status in real time
	Provide customers with digital payment methods	<ul style="list-style-type: none"> Paper saved: About 6,299,000 pieces of paper/year Benefits: Reduce paper during delivery or submission of supplementary documents and improve operational efficiency

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 paper and monthly 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.

4 Happy Workplace

Material topic management

4.1 Talent attraction, remuneration and benefits

4.2 Talent development and diverse learning

4.3 Human rights protection and workplace safety and health



Material topic management

GRI 2-23、2-24、2-25、2-26、3-3


Material Topics

Talent development and benefits

International frameworks and indicators

- GRI 401 Employment
- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity


Impact description

We provide a mechanism for staff development and welfare to ensure diversified development and equal opportunities for employees, which helps to increase human capital and the company's competitiveness. 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.

Actual
 Potential
 Positive
 Negative

Policy commitment

- Competitive remuneration: According to HFC's "Articles of Incorporation", a certain percentage of profits should be allocated as employee remuneration.
- Provision of diversified benefits: We have set up an Employee Welfare Committee to plan diversified benefits to enhance employee satisfaction.
- Developing on-the-job training, external training, and self-development training.
- Striving for the recognition of national talent cultivation awards.

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Employee performance evaluation	Annual assessment—100%	√	<ul style="list-style-type: none"> • To conduct regular rotations and performance evaluation • Annual assessment rate of 100% 	Annual assessment rate of 100%
To Improve the effectiveness of employee training	<ul style="list-style-type: none"> • To properly take stock of the functional gaps prior to training • The average training hours per employee is 14.60 hours 	√	<ul style="list-style-type: none"> • To optimize the talent development map • To increase the cost of inputs 	To enrich the company's talent capital
Striving for the recognition of national talent cultivation awards.	Obtained TTQS Gold Certification	√	To optimize and refine the TTQS; to seek recognition from the National Talent Development Awards.	To continue to invest in talent development and cultivation, improve employee competency, and spread benefits to the society

Stakeholders	Engagement channels and effectiveness	
Employees	Channel/frequency	Employee satisfaction survey / yearly, employee e-newsletter / monthly, company intranet / irregularly Education and training/irregularly, after-class satisfaction survey/irregularly, labor-management meetings/irregularly
	Effectiveness	<ul style="list-style-type: none"> • In 2023 the employee satisfaction response rate was 100%; 91.6% of all employees were satisfied or extremely satisfied with the Company as a whole • In 2023, the total training hours of employees reached 17,269 hours, and the average training hours per employee was 14.60 hours
	Contact Information	Hotline: (02) 25024567 #11100 Employee Opinion Mailbox: HFCHR@hfcfinance.com.tw
Shareholders	Channel/frequency	Annual report/yearly, sustainability report/yearly, official website/irregularly
	Effectiveness	We have promoted key management succession plans and explain them in the ESG report and the official website. In 2023, the average training hours for managers reached 35.26 hours/person
	Contact Information	Hotline: (02) 2502-4567 #16301 Dedicated email: HFC-INVESTOR@hfcfinance.com.tw

4.1 Talent attraction, 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 15 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、2-8、401-1、405-1

By the end of 2023, the total number of employees is 1,183, and there is no employee with working hours unguaranteed. By gender, there are 476 male employees and 707 female ones; by employment contracts, there are 1,144 permanent employees and 39 temp employees; by employment type, there are 1,183 full-time employees and zero part-time worker. Compared to 2022, the total number of employees increased by 8.2%. The increase in the number of employees is mainly due to business expansion.

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. The number of staff is 23 and there is no change in the number of staff as compared with last year. The ratio of employees to non-employees was 98.1%: 1.9%.

Attributes	Gender	2022					2023				
		Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Total	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Total
Permanent employees	Male	281	65	64	11	421	305	78	73	12	468
	Female	354	118	145	8	625	383	125	161	7	676
	Subtotal	635	183	209	19	1,046	688	203	234	19	1,144
Temporary employees	Male	10	1	0	0	11	8	0	0	0	8
	Female	26	2	8	0	36	19	3	8	1	31
	Subtotal	36	3	8	0	47	27	3	8	1	39
Regular employee	Male	291	66	64	11	432	313	78	73	12	476
	Female	380	120	153	8	661	402	128	169	8	707
	Subtotal	671	186	217	19	1,093	715	206	242	20	1,183

Note 1: Due to the revision of GRI 2021, the statistical method of staff statistics was adjusted in 2022; therefore, data for 2021 is not available.

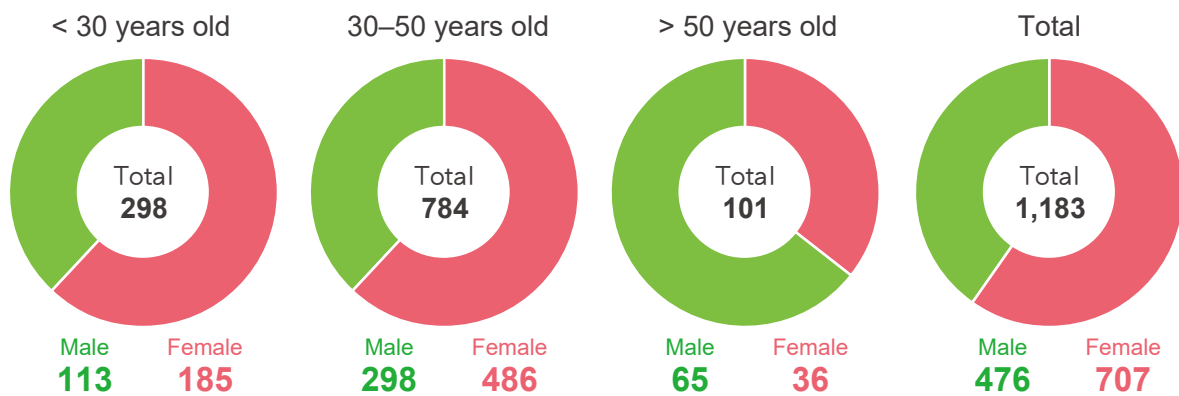
Note 2: HFC has no part-time employees.

Note 3: Description of the counties and cities covered:

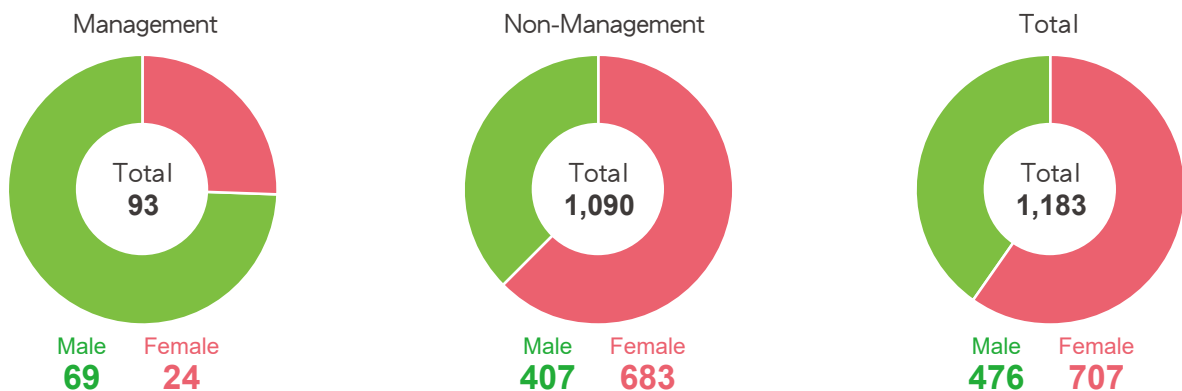
Area	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan
Description	New Taipei City, Taipei City, Keelung, Taoyuan City, Hsinchu County, Miaoli County	Taichung City, Changhua County, and Nantou County	Yunlin County, Chiayi City/County, Tainan City, Kaohsiung City, and Pingtung County	Yilan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

Note: There is no employee in outlying islands.

▶ Employee composition - categorized by gender and age category



▶ Employee composition - categorized by job level



Note: Managerial business unit positions at deputy director level and above; back office unit positions at head of office level and above; non-managerial business unit positions up to deputy director level; back office unit positions up to head of office level

► Employee composition - categorized by education

Category	Number of employees			Percentage
	Management	Non-Management	Subtotal	
Master	28	88	116	10%
Bachelor	40	592	632	53%
Junior college degree	15	161	176	15%
Senior high school (inclusive) or below	10	249	259	22%
Total	93	1,090	1,183	100%

Note: Managerial business unit positions at deputy director level and above; back office unit positions at head of office level and above; non-managerial business unit positions up to deputy director level; back office unit positions up to head of office level

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 2023, the percentage of new employees was 29.5%, a decrease of 7.5% compared to the previous year, and the percentage of resigned employees was 21.9%, a decrease of 0.6% compared to the previous year. Although there were slight fluctuations overall due to factors such as changes in market demand for talent, employee headcount of HFC continued to grow steadily.

► Total number and percentage of new employees

Category	< 30 years old		30–50 years old		> 50 years old		Total (persons)	Percentage of new employees
	Number of persons	Percentage	Number of persons	Percentage	Number of persons	Percentage		
Male	73	15.3%	77	16.2%	6	1.3%	156	32.8%
Female	89	12.5%	100	14.1%	4	0.6%	193	27.3%
Total							349	29.5%

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

Category	< 30 years old		30–50 years old		> 50 years old		Total (persons)	Percentage of resigned employees
	Number of persons	Percentage	Number of persons	Percentage	Number of persons	Percentage		
Male	40	8.4%	66	13.9%	6	1.3%	112	23.5%
Female	64	9.1%	80	11.3%	3	0.4%	147	20.8%
Total							259	21.9%

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 2023, we have employed a total of five employees with disabilities.

4.1.2 Providing fair remuneration GRI 2-21、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 by the Market Observation Post System, the "average salary" of HFC's full-time non-managerial employees of 2023 was \$1.347 million, and the "median salary" thereof was \$1.068 million. 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 2023 was \$42,169 (or about \$506,028 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 12 times, and the difference in salary increase is 1.1 times.

Salary information for full-time employees not in management positions

Year	2021	2022	2023
Number for full-time employees not in management positions	945	980	1,090
Average salary for full-time employees not in management positions (thousands of NTD)	1,186	1,214	1,347
Median salary for full-time employees not in management positions (thousands of NTD)	939	978	1,068

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 bonus and compensation of HFC's employees by gender, the ratio of compensation for male managerial and non-managerial personnel to that for their female counterparts was more or less the same from 2020 to 2023. Although the remuneration to males was higher than that to females in 2023 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 three years

Job level	Male to female gender ratio	2021	2022	2023
Management	Ratio of salary by gender	1.10	1.19	1.22
	Ratio of remuneration by gender	0.99	1.14	1.14
Non-Management	Ratio of salary by gender	1.07	1.06	1.05
	Ratio of remuneration by gender	1.11	1.13	1.11

Note 1: Compensation refers to monthly salary; remuneration refers to compensation plus reward (bonus).

Note 2: Managerial positions are at or above the deputy director level; back-end units are held at the head level or above; non-managerial business units are held at or below the deputy director level; and back office units are held at or below the head level.

4.1.3 Providing 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

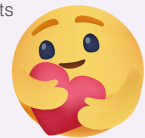
Company cash gift

- Spring festival cash gift
- Dragon boat festival cash gift
- Mid Autumn festival cash gift
- Birthday cash gift
- Subsidies and scholarships for children's educations



Health care

- 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



Family care

- Menstrual leave, childbirth leave, prenatal checkup leave, and parental leave for female employees,
- paternity leave, parental leave for male employees.
- Maternity and wedding gifts
- Clean and bright nursing room
- Special store discounts



Work incentives and others

- 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, Preferred shares were released in 2023. We 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.

Subject Matters	Labor pension
	New system
Legal source	Labor Pension Act
Contribution percentage	We contribute 6% of the employee's monthly salary to their personal accounts as the labor retirement reserve.
Employee participation rate	100%
Application requirements	<ul style="list-style-type: none"> Workers aged 60 years or above but less than 15 years of service: They can only apply for pension once (one-time payment) Workers aged 60 or above who have worked for more than 15 years: They can choose to claim the pension either monthly or in one lump sum (monthly payments or one-time payment). Workers under the age of 60 but incapable of working: They may apply for labor pension in advance Application for death before the pension is claimed: The surviving family and the claimant named in the will can claim the pension in one lump sum (one payment).

► Providing medical checkups and travel subsidies



Subsidized 78 employees for health checkups, totaling \$1,239,000.

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 2023, HFC subsidized 78 employees for health checkups at a total cost of NT\$1,239,000.

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.





► Family-friendly programs to promote workplace inclusion

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.

Year	2021	2022	2023
Number of applicants for anti-pandemic care leave	18	279	31

Note: The calculation time of 2023 pandemic care leave was as of March 20 (the date the Central Epidemic Command Center announced the loosening of the new pandemic control system).

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. 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 from five days starting from 2023, to create a work environment friendly to childbirth and childcare.

Statistics on application for unpaid parental leave and reinstatement rate			
Subject Matters	2023		
	Female	Male	Total
Number of employees eligible to apply for unpaid parental leave	41	27	68
Number of employees applied for unpaid parental leave	12	1	13
Number of employees required to be reinstated in the year (A)	5	1	6
Number of employees applied to be reinstated in the year (B)	3	-	3
Reinstatement rate (B/A) ^{Note 2}	60%	-	NA

Note 1: The information on applications for unpaid parental leave of HFC is newly disclosed for 2023, and there is no data for 2022.

Note 2: Reinstatement rate (%) = number of people applying for reinstatement in the year (B) / number of people required to be reinstated in the year (A).

▶ 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. Therefore, 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. The number of people awarded increased by 9 times between 2021 and 2023; the total amount of bonuses distributed also increased by 7 times.

▶ Establishing 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.



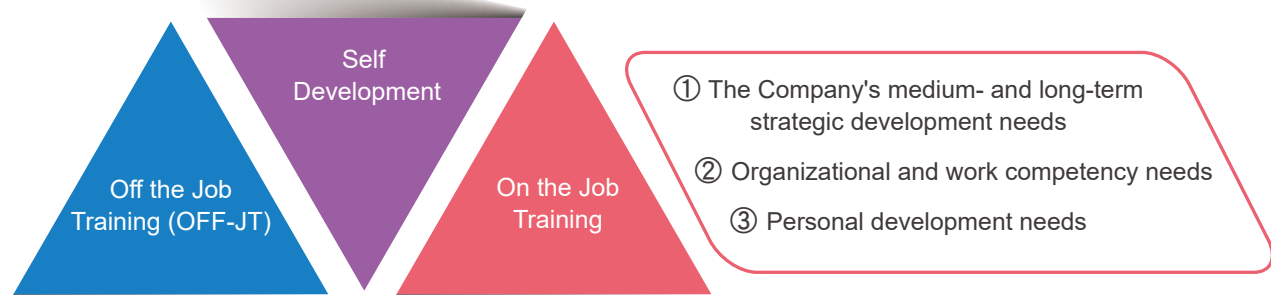
4.2 Talent development and diverse learning

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.

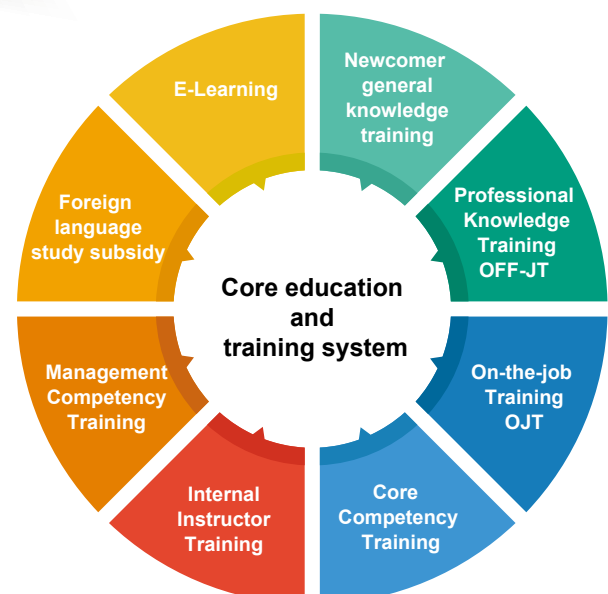
4.2.1 Complete training resources

Investing in talent means investing in the Company's future. HFC believes that employees' development drives the growth of the Company. In 2023, 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. Functional training programs are offered to employees at all levels, such as business executive development course, high-potential talent nurturing courses, and corporate core skill development courses. The trainees include all employees and managers in the Company.



In 2022, HFC took stock of the implementation of various education and training programs, and in 2023, it continued to refine and review the areas that can be improved. 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, made rolling adjustments and review 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.

● 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 2023, a total of 242 people was trained for a total of 1,012 hours. In order to increase cross-departmental communication and interaction among employees, we arrange a quarterly newcomer consensus camp. We also plan office visits to the head office and internal departments to help employees get to know their workmates and build deeper connections.



▶ Professional knowledge training (OFF-JT)

According to the needs of different jobs, we provide in-house and external training programs that meet the needs of our professional fields. For example, we have arranged the TTQS Corporate Edition case study and practical training courses for education personnel to enhance their ability in the operation of the talent development quality management system. We have arranged for our staff to attend RPA or big data practices classes on how to integrate digital tools into their profession and use them in their work. We provide internal auditors with a series of courses on core knowledge and skills, such as audit techniques, regulatory compliance, auditing of sustainability reports, in order to strengthen the employees' professional competence 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 practical operation and discussion to strengthen the working ability of the staff together.

▶ Core competency training

Training courses are designed to cultivate soft skills other than professional capabilities, allowing employees to strengthen their core competitiveness in the workplace, thereby improving work efficiency, organizational communication skills, and interpersonal interaction.

▶ 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 planned for sales management to enhance the managerial functions. 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.

Business executive development course

A total of 27 people participated in the training course, and the satisfaction rate was 4.69 points.

out of 5 points



Considering that executives in business units should have comprehensive functions, such as management, leadership, communication, and coaching, HFC has planned the "business executive development course" to provide a series of classes for first-line business executives based on their functional gaps, so as to enhance the effectiveness of talent cultivation, utilization, and retention.

The lecturers hired for the business executive development course 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 to improve strategic thinking ability or frequency of cross-departmental cooperation. Through systematic courses and seminars in the business executive development course, 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.

2023 Through case studies from various departments, pre-course book reading and practical sharing in post-course book clubs, participants were able to enhance their team goal planning, leadership and communication skills. The course satisfaction rate reached 4.69. ◦



Training courses for high potential talents



A total of 24 people participated in the training course, and the satisfaction rate was 4.88 points.

out of 5 points

Since 2021, HFC has been conducting talent training by planning management function courses for high-potential talents, and 24 people were trained in 2023. In order to enhance the learning effect of the program, small group reading sessions are also planned before the course to encourage each other to complete the study assignments beforehand to facilitate exchanges. In 2023, we provided training on interdepartmental communication, cooperation, and project management, with 24 attendees and a course satisfaction rating of 4.88.



Manager consensus camp



A total of 88 people participated in the training course, and the satisfaction rate was 4.73 points.

out of 5 points

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 2023 program is "He Jun and He-Jin work together to create a win-win situation," which gives executives with practical case studies on industry and technology trends, and stimulates them to think about feasible ways that can be applied to their departments and teams. The number of trainees reached 88, and the satisfaction rating of the course was 4.73.



ESG online training

A total of 1,091 people participated in the 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 course has been officially held for three years until this year. In response to the wave of ESG sustainability and new domestic and international sustainability standards, the theme for 2023 is "Main Global ESG Trends—Sustainability Strategies and Practices from the Corporate Core Business Sectors," with a total of 1,091 trainees.

4.2.2 Multiple learning channels

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 2023, our employees received a total of 17,269 hours of education and training with 14.6 hours per person.

Type of employees	Management		Non-Management		Total
	Male	Female	Male	Female	
Total hours of training received (hours)	2,403	876	5,045	8,945.5	17,269
Total number of employees (persons)	69	24	407	683	1,183
Average number of hours of training per employee (hour/person)	34.83	36.50	12.39	13.10	14.60

Note: Managerial business unit positions at deputy director level and above; back office unit positions at head of office level and above; non-managerial business unit positions up to deputy director level; back office unit positions up to head of office level

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:

► Abundant online courses

HFC provides e-Learning to employees through the online learning platform, e-Learning, which offers quarterly mandatory courses for general employees and management, as well as a wide range of optional online courses. In addition to the web version, the online learning platform can also be accessed through the APP to allow employees to study without time and space restrictions and greatly improve learning efficiency.

In 2023, in addition to the quarterly requirement of 1–2 mandatory courses for each rank and 2 elective courses for the general staff, HFC provided as many as 28 diversified elective courses, so that employees can choose the field of interest for further development on the basis of their work specialties. 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 has actively invested in cultivating employees to become internal seed instructors. Currently, 39 in-house seed instructors have been trained to plan in-house imparting courses focusing on business contents, product introduction, successful case sharing and other related information. Through mutual exchanges and discussions with internal senior staff and the design of teaching materials, employees are motivated to continue to grow in their professional fields, and are able to effectively transfer their experiences on the basis of knowledge management, thereby further shaping the organization's learning culture.

► Regular publication of newsletters and periodicals

HFC provides employees with a various themes of internal publications, the monthly e-newsletter "HFC E-news Academy," so that they can access the latest industry news, group and company updates, practical work skills, mental and physical growth, and recommended books and other related information, thereby facilitating the establishment of a learning culture in the organization.

4.2.3 Performance evaluation and rotation system

GRI 404-3

Up to 100% of employees received regular performance evaluation.



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.

4.2.4 Talent development management recognized by national accreditation

HFC adheres to the business philosophy of "customers are the priority, and expertise is fundamental" and spares no effort in cultivating talents in order to provide the best service quality and become the first brand in the field of vehicle installment. In 2022, we started planning for the introduction of the Talent Quality-management System (TTQS) for 2023. Through the structure of the Talent Quality-management System, the Company's training planning, implementation history and results and achievements are summarized. Moreover, HFC can further identify the areas with good performance as well as the systems and processes that can be improved, thus demonstrating HFC's corporate culture of following the P.D.C.A. Cycle and pursuing continuous improvement.

HFC has invested in talent development and provided the most appropriate training resources in order to closely link with the direction of corporate development, and it has been awarded the gold medal of TTQS certification upon its first application. HFC will continue to adhere to the framework and spirit of TTQS, improve the connection between talent development and corporate operations, and pursue recognition for service quality.



4.3 Human rights protection and workplace safety and health

HFC values each and every one of its employees and is committed to creating a safe and comfortable working environment. Moreover, it regards employee and human rights protection as a key priority in its business operations to prevent any work-related injuries, illnesses and accidents. In order to provide employees with peace of mind and safety at work, HFC is actively promoting and implementing various protective measures.

4.3.1 Protection of employee rights and human rights

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, HFC aims 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 HFC cares about and work to improve.

► Formulation of 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 dissemination, so that all employees of HFC can be treated fairly and with dignity. HFC also offers relevant courses on human rights issues. In 2023, there were 1,890 trainees, and the total number of training hours was 945.



"HFC Workplace Sexual Harassment Prevention Measures"

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

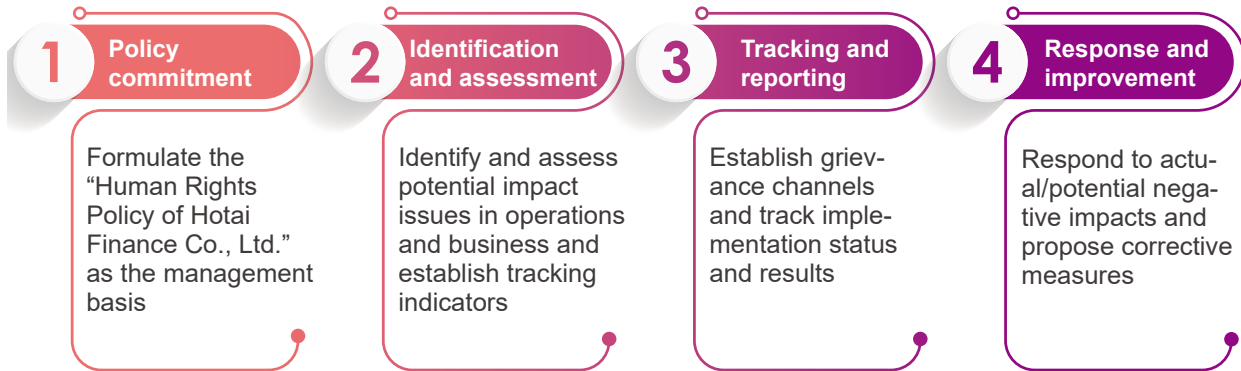


Human Rights Policy of Hotai Finance Co., Ltd.

<https://apihfcweb.hfcfinance.com.tw/Files/Documents/ESGPageContent/PartType4/PT4-20243015033046.pdf>



► Overview of human rights due diligence management



Issue	Description	Indicator	Implementation in 2023
Work and labor conditions	The occurrence of non-compliance with local laws and regulations may result in the employees' right to work not being protected.	Payroll calculation accuracy rate	100%
		There shall be two days off every seven days, of which one is a holiday and the other is a rest day.	In compliance with the Labor Standards Act.
		<ul style="list-style-type: none"> Normal working hours shall not exceed 8 hours per day and 40 hours per week The total number of normal working hours and extended working hours per day shall not exceed 12 hours, and the total number of extended working hours per month shall not exceed 46 hours. 	In compliance with the Labor Standards Act.
Right to health	Promote occupational safety education and training, and provide legal work health protection measures.	Fully implementing employee health checkups	Better than those stipulated in the Labor Standards Act.
		Organizing courses related to occupational safety and health	Occupational safety education courses for all employees were held in 2023
Child labor and maternity protection	Prohibition of employment of persons under the age of 16	Are there any violations of child labor?	There were no cases of child labor
	Provide maternal employees with an inclusive and friendly workplace	<ul style="list-style-type: none"> Legal compliance of labor and gender equality in employment Setup of breastfeeding (pumping) rooms 	Complied with various laws and regulations
Wrongful infringement	Has there been any threat, physical attack, harassment or any form of unlawful treatment that caused a negative impact	Received employee complaints	None
		Occurrence of gender equality violations	None
		Organizing gender equality dissemination	We planned courses on human rights issues, with a total of 1,890 trainees in 2023.
		Illegal abuse of employees	None

Note: The scope of covered "all employees of HFC"; the scope of investigation will continue to be expanded in the future (employees of subsidiaries in the consolidated financial statements)

► Caring about employees' working hours and providing 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 eight sites.



► Promoting 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; no feedback suggestions were received from employees in the employee opinion mailbox in 2023. The company has also held four labor-management meetings to encourage employees to make suggestions, thereby creating a work environment with open communication.

► Employee Satisfaction Survey

HFC's latest employee satisfaction survey was conducted in December 2023 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 staff satisfaction survey return rate was 100% in 2023.

- 91.6% of employees are satisfied or very satisfied with the Company as a whole.
- Significant improvement in satisfaction: Through employee-supervisor interaction, job nature, education and training, we can see employees generally recognize HFC's promotion of employee work atmosphere, education 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 2024.

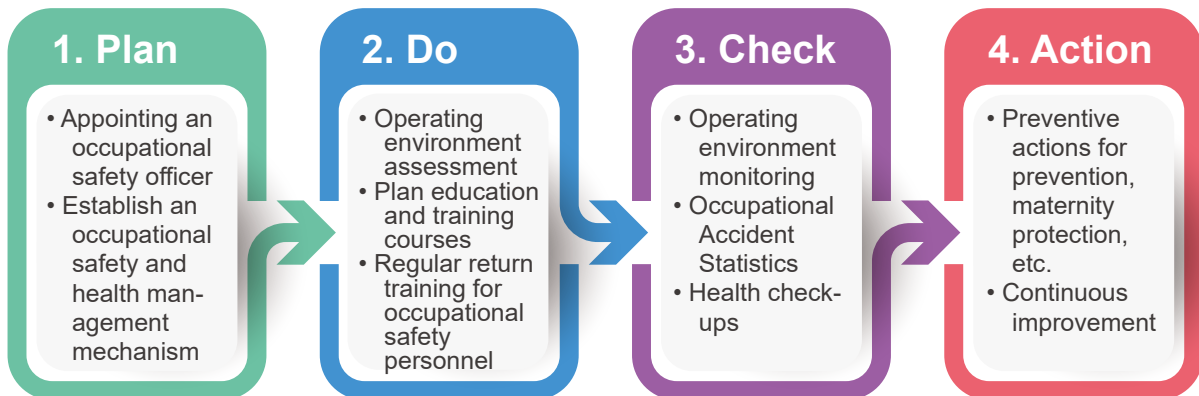
► Implement gender equality and prevent harassment or discrimination

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 2023. 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.

4.3.2 Safe and healthy work environment

HFC has set up a total of 26 occupational safety and health supervisors at each of its locations, and has also arranged education and training courses to establish a sound occupational safety and health management system, thereby enhancing the occupational safety and health knowledge of its employees. At the same time, environmental safety is discussed, assessed, and supervised through the meeting. 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 occupational safety and health management system



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.

4.3.3 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.

The Company an occupational safety education course for all employees, which required 0.5 hours of participation per person. We require all employees of the Company to undergo training to raise their awareness of occupational safety and to strengthen workplace safety. In 2023, 1,092 employees completed the training.

► The circumstances of HFC employees on work-related injury leave in 2023

Type of leave	Number of hours for all employees		
	Male	Female	Total
Sick leave (hours)	2,374.00	4,425.50	6,799.50
Menstrual leave (hours)	0	1,700	1,700.00
Miscarriage prevention leave (hours)	0	675	675.00
Work-related injury leave (hours)	88	40	128.00
Others - anti-pandemic leave (hours)	208.00	512.00	720.00
Others - vaccination leave (hours)	8	16	24.00
Total number of hours	2,678.00	7,368.50	10,046.50
Conversion of absence days (days)	334.8	921.10	1,255.90
Total number of working days (days)	118,048	175,336	293,384.00
Absence percentage	0.28%	0.53%	0.43%

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	2021	2022	2023
Total working hours ^{Note 1}	234,112	267,675	293,384
Number of people with general occupational injuries ^{Note 2}	4	1	3
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)	4	1	3
Number of working days lost	89	1	16
Fatality rate due to occupational injuries ^{Note 4}	-	-	-
Severe occupational injury rate ^{Note 5}	-	-	-
Recordable occupational injury rate ^{Note 6} (Disabling injury frequency = injury rate)	17.09	3.74	10.23
Lost work day rate ^{Note 7} (disabling injury severity rate)	380.16	3.74	54.54
Frequency-severity indicator ^{Note 8}	2.55	0.66	0.28

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 2023, three employees suffered an occupational injury in three traffic accidents on the way to work. The employee was injured in a collision with other cars and scooters. After the accidents, 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 Environmental Sustainability

Material topic management

5.1 Climate change risk management

5.2 Greenhouse gas management

5.3 Operating environment management

5.4 Sustainable supply chain management



Material topic management


Material Topics

Operating environment management

International frameworks and indicators
GRI 302 Energy
GRI 303 Water and Effluents


Impact description

Regarding internal resource use (including energy, water, waste, etc.) in the operation process, establishing management behaviors and goals can help reduce waste and improve resource efficiency.

 Actual


Potential



Positive

 Negative

Policy commitment

HFC is actively responding to the 2050 Net Zero Emissions target by establishing an Environmental Management Committee in 2022. The committee meets at least twice a year to review and make recommendations on the effectiveness of environmental sustainability and the direction of environmental sustainability implementation, supervise annual plans and progress, and promote environmental management policies.

Management actions	2023 Action performance tracking	Achievement overview	Short-term goals (1-3 years)	Mid-term and long-term goals (more than 3 years)
Implement energy-saving actions and enhance energy efficiency	Energy intensity (vehicle gasoline and electricity) decreased by 12.6% compared to the previous year	V	Energy intensity (vehicle gasoline and electricity) decreased compared to the previous year	To reduce the use of energy resources at the operations and improve the efficiency of energy use
	The per capita water consumption increased by 4.74% compared to the previous year	-	To reduce the per capita water consumption by 1% compared to the previous year	
	The average electricity consumption per million revenue was 84.09 kWh (↘ 11.5%)	V	To decrease the average electricity consumption per million revenue	
	The headquarters and Xinhua 1st road office implement half-hour light switch-off during lunch breaks	V	To continue to promote the half-hour light switch-off during lunch break to all locations in Taiwan	To implement operational base power-saving policies.
	More than 90% of LED lights were used for lighting at various locations	V	To achieve 100% LED lighting in all locations in Taiwan	
Replacement of company vehicles with non-pure fuel vehicles	The proportion of purely electric and gasoline-electric hybrid vehicles reached 30%	V	To continue to replace fuel-powered company cars with electric and gas-electric hybrid cars by up to 100%	

Stakeholders		Engagement channels and effectiveness
Employees	Channel/frequency	Promotional posters/irregularly, education and training/irregularly
	Effectiveness	<ul style="list-style-type: none"> The headquarters and Xinhua 1st road office implemented half-hour light switch-off during lunch breaks. More than 200 persons participated Online ESG training course on global low-carbon business trends was organized, and 1,091 persons were trained
Government agencies and competent authorities	Channel/frequency	MOPS/yearly, annual report/yearly, ESG report/yearly, official website/irregularly
	Effectiveness	<ul style="list-style-type: none"> The Company's energy usage status was regularly maintained and updated on an annual basis in the Market Observation Post System (MOPS) We regularly issue an annual report and a sustainability report each year as a public statement to our stakeholders
Individual customers Corporate customers	Channel/frequency	LINE mobile customer service/irregularly, information disclosure on the official website/irregularly
	Effectiveness	We have participated in Earth Hour for three consecutive years in response to energy saving and carbon reduction. In 2023, we called on our clients to participate in Earth Hour through push notification from our official LINE account, which has reached more than 240,000 people in total



5.1 Climate change risk management

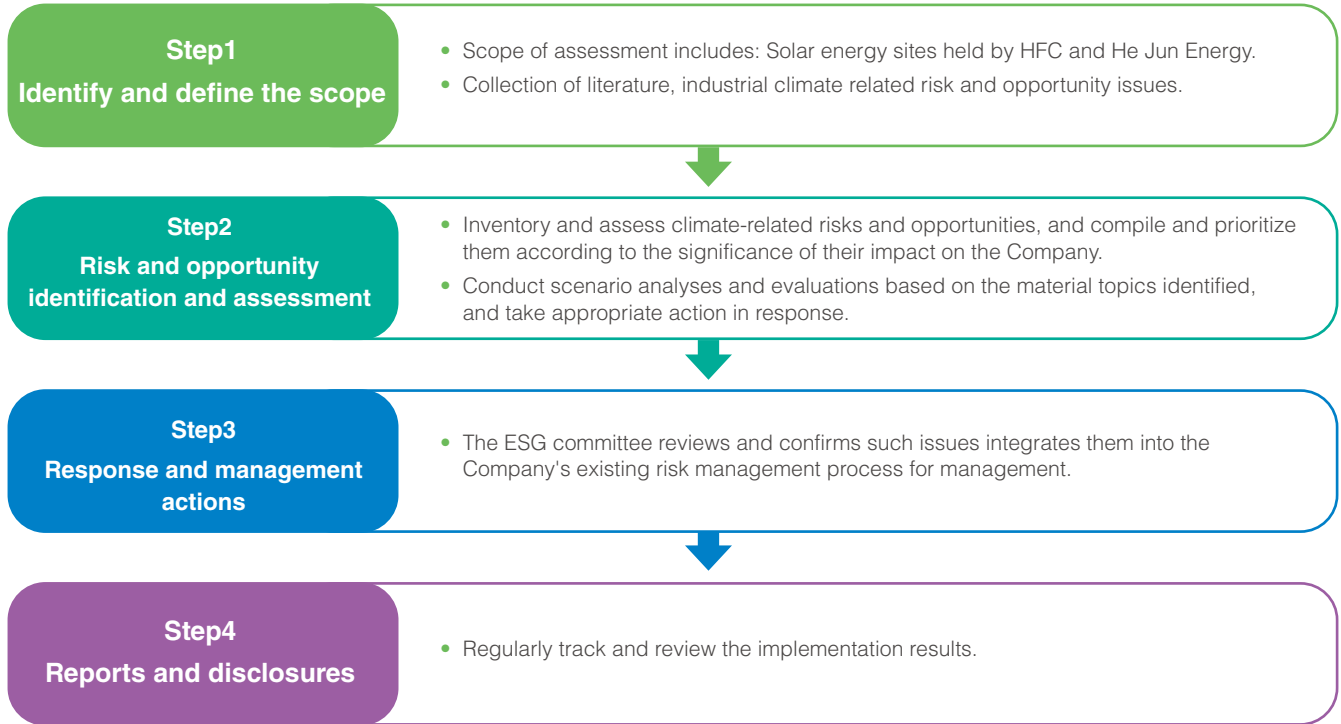
GRI 201-2

The world is facing the threat of climate change, and many countries are actively promoting climate change related management measures. Taiwan's government also announced the enforcement of the Climate Change Response Act in 2023, which raises the long-term goal of net-zero greenhouse gas emissions in 2050 to the level of an ordinance. This shows that the climate topic is very important to the future development of the world and the operation of enterprises. As a citizen of the world, HFC proactively responds to the issue of climate change and plans management measures. In 2021, we already 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.

► HFC's climate change governance mechanism

Aspect	HFC Management Initiative	Implementation status in 2023
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.	<ul style="list-style-type: none"> The progress of the GHG inventory was reported to the board of directors on a quarterly basis. We held 2 ESG Committee meetings and reported to the board of directors on December 14th.
Strategy	<ul style="list-style-type: none"> 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 potential operational impact of the topics on HFC, and plan future management measures and strategies. 	We identified a total of four risk topics and four opportunity topics, and set objectives and management actions accordingly.
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.	<p>Based on the identified risks and opportunities, we propose measures to incorporate them into the Company's policies and implement them, which include the following:</p> <ul style="list-style-type: none"> Specialist education and training: 3 employees obtained professional licenses for power trading platforms, 11 employees obtained certificates for greenhouse gas inventory inspectors. We are insured against climate risk.
Indicators and targets	<ul style="list-style-type: none"> Implement greenhouse gas inventories and complete the disclosure of scope 1 and 2 emissions for companies in the consolidated financial statements, and increase the disclosure items for scope 3 emissions year by year. Identify carbon hotspots based on scientific inventory results, set short-, medium-, and long-term emission reduction targets, and disclose the achievement status on a regular basis. 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. 	We completed the greenhouse gas inventory of the subsidiaries listed in the consolidated statements in 2023, and expects to obtain an external verification declaration in 2024.

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** topics:

- Increased severity of extreme weather events, such as typhoons and floods
- Changes in customer behavior
- Uncertainty in market information
- Client preference shifting

Climate change **opportunity** topics:

- 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 Issues:	Potential impact on company operations	Impact period	Extent of 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	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	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	Changes in international trends and domestic policy adjustments may lead to changes in the market supply and demand structure. Uncertain market information 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	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	Client preference shifting	The government's continuous promotion of the development of a low-carbon economy may affect customers' consideration when selecting products. If clients perceive a company as a wrongdoer 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	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.

► Scenario analysis of material risk topics: physical risks - increased severity of extreme weather events, such as typhoons and floods

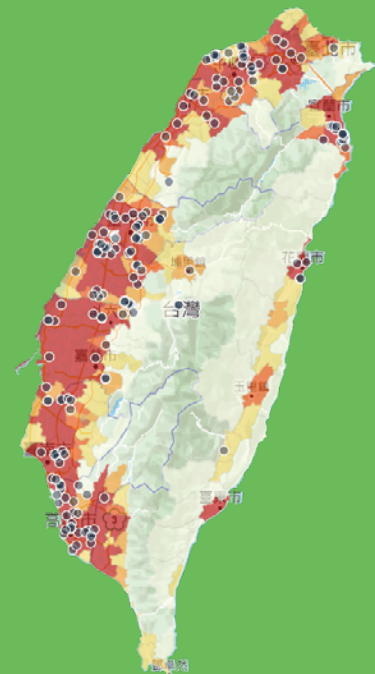
A scenario analysis model has been introduced to analyze the financial impacts on material climate risks and opportunities at future time points under climate scenarios. Based on the results of climate change risk identification, the physical risk "increase in the severity of extreme weather events, such as typhoons and floods" is selected for financial quantitative analysis.

- ❖ Assessment scope: The solar power plants under HFC
- ❖ Assessment period: 2036-2065
- ❖ Climate scenario: Scenario SSP5-8.5 of IPCC AR6 Report
- ❖ Assessment description:
HFC promotes green energy investment and established He Jun Energy in 2022 to engage in the solar energy business. As of the end of 2023, He Jun Energy had a total of 211 metered power plants in Taiwan, all of which are important assets of the Company. Extreme climate events are one of the short-term risks in the 2023 Global Risk Report. Typhoons and flooding may cause damage to solar power plants, resulting in increased operating costs and reduced power generation revenues. HFC uses scientific scenario analysis to understand the potential financial impact of extreme climate events before they actually occur.
- ❖ Driving factors: Solar power plants may suffer losses due to extreme weather events, such as typhoons and floods.
- ❖ Potential financial impact: Increasing 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 112 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\$17 million.

Risk level

- Level 1
- Level 2
- Level 2
- Level 4
- Level 5



Mid-century (2036-2065) risk potential view

❖ Countermeasures: The latest natural disaster insurance expenditure is about NT\$ 6.28 million per year.

1. At the stage of site selection, design and installation, we are careful to ensure the stability of the power generation system. In addition, we have taken waterproofing into account in our wiring and design.
2. In order to ensure that the possible impacts of disasters are minimized, each power plant is covered with relevant natural disaster insurance.

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 Issues	Potential impact on company operations	Impact period	Extent of 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.	Long term	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	Long term	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.	Long term	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.	Long term	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.

► Scenario analysis of material opportunity topics: products and services - research and innovation in developing new products and services

While actively promoting energy saving and carbon reduction within the company in response to climate change, HFC also develops its solar energy business. HFC, together with Hotai Motor and Hoyu Investment, established He Jun Energy, which is dedicated to the development of solar power plants and energy storage business in response to the energy transition policy. Furthermore, we also provide a one-stop green solution to our stakeholders, which demonstrates the importance of "green investment" in the realization of net-zero emissions by HFC.

Following the results of the climate change opportunity identification, we selected the "R&D and innovation in developing new products and services" for quantitative financial analysis.

- ❖ Assessment scope: The solar power plants under HFC
- ❖ Assessment period: 2025
- ❖ Assessment description:
 - ❖ 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 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:
 - ❖ As of the end of 2023, the installed capacity of He Jun Energy's solar power plant had reached 60.12MW, and the power generated by the plant is now under the feed-in tariff. The annual revenue from electricity sales amounted to NT\$200 million.
 - ❖ Countermeasures: Annual expenditure on advertising and talent training is about NT\$ 150,000 to NT\$ 500,000.
 1. With the successive amendments to the Electricity Act and the Renewable Energy Development Act, the government has fully liberalized the use of renewable energy for direct supply, sub-supply, and free trading of electricity to provide businesses with diverse choices when purchasing electricity. In light of the diversified development of the electricity trading market in the future, He Jun Energy encourages its employees to participate in training and obtain relevant certificates, and actively cultivates internal green talents in order to grasp the market opportunities. As of the end of 2023, a total of 3 professionals from He Jun Energy have obtained power trading platform licenses.
 2. After the installation of the solar power plant, there is a need for good maintenance. Moreover, HFC has entered the solar power market for the first time, and therefore has to actively promote its business expansion and enhance its market recognition.



5.2. Greenhouse gas management

HFC understands that grasping 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 received 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. Moreover, in 2023, we started greenhouse gas inventory for our subsidiaries 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.

► HFC greenhouse gas inventory information for the last 2 years

Item/year		2022	2023
Emissions ^{Note 1}	Scope 1 Direct emissions	286.2648 tonnes of CO ₂ e	1,440.4349 tonnes of CO ₂ e
	Scope 2 Energy indirect emissions	736.8085 tonnes of CO ₂ e	1,258.2608 tonnes of CO ₂ e
	Scope 3 Other indirect emissions	217.3799 tonnes of CO ₂ e	586.0209 tonnes of CO ₂ e
Intensity ^{Note 2}	Direct emissions	0.0187 tonnes of CO ₂ e /\$ million	0.0502 tonnes of CO ₂ e /\$ million
	Energy indirect emissions	0.0483 tonnes of CO ₂ e /\$ million	0.0439 tonnes of CO ₂ e /\$ million
External inspection unit		SGS Taiwan	
Inspection standards and results		In compliance with ISO 14604-1: 2018	
Data coverage ^{Note3}		Hotai Finance Co., Ltd.	Hotai Finance Co., Ltd., He Jing Co., Ltd. He Jun Energy Co., Ltd., and Hoyun International Lease Co., Ltd.

Note 1: Scope 1 direct greenhouse gas emissions (category 1): 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.

Scope 2 indirect energy emissions (category 2): Purchased electricity.

Scope 3 Other indirect emissions (category 3-6): The organization conducts inventory based on the results of significant assessment of its emission sources, including upstream energy sources, business travel (taxi), waste disposal, and tap water.

Note 2: Intensity (tonnes of CO₂e/NTD million) = emissions (tonnes of CO₂e)/corporate revenue (NTD million). The volume of "direct emissions" include Scope 1 emissions, and the emissions of "indirect energy emissions" include Scope 2 emissions.

Note 3: We adopt the operational control method for the GHG organizational boundary setting method.

Note 4: Calculation according to the emission factor method: Greenhouse gas emissions = activity data x emission factor x global warming potential (GWP). Global warming potential (GWP) in the "Intergovernmental Panel on Climate Change (IPCC) 2021 AR6" is adopted.

Note 5: HFC's subsidiary, Hoing Mobility Service, has also begun the 2023 GHG inventory operation. It is expected to obtain the external inspection statement in the fourth quarter of 2024, and the relevant information will be publicly disclosed on the official website of HFC.

► Greenhouse gas reduction goals, strategies, and specific actions

Responding to the Hotai Group's "2050 Carbon Neutral" goal as a sustainable vision, HFC has been tracking greenhouse gas emissions and set up an environmental policy statement. 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. Based on ISO 14064-1 inventory results, we regularly track emission hotspots, review and adjust management actions on a rolling basis, establish an EMS information system, implement an environmental culture, and disclose information to the public. According to the scientific quantitative data of ISO 14064-1 greenhouse gas inventory and the characteristics of our industry, the hotspots of energy consumption are "gasoline in Scope 1, electricity in Scope 2, and water and waste treatment in Scope 3".

Scope	Subject Matters	Action strategy	2050 carbon neutrality target	Quantitative indicator tracking	
				2022	2023
Scope 1	Gasoline	<ul style="list-style-type: none"> Replacement of company cars with electric/gas-electric hybrid vehicles Encouragement of public transportation 	Zero-pure fuel vehicles	Proportion of non-pure fuel vehicles: 2.6%	Proportion of non-pure fuel vehicles 30.6% (↗ 28%)
Scope 2	Electricity	<ul style="list-style-type: none"> Optimization of air conditioning operations First-class products for promotion of electrical appliances 	enhance energy efficiency	<ul style="list-style-type: none"> Per-capita electricity consumption: 1,324.39 kWh The average electricity consumption per million revenue was 95.01 kWh 	<ul style="list-style-type: none"> Per-capita electricity consumption: 1320.52 kWh (↘ 0.29%) The average electricity consumption per million revenue was 84.09 kWh (↘ 11.5%)
		<ul style="list-style-type: none"> Promotion of green energy business Planning for the use of renewable energy 	Purchased electricity and net-zero carbon emissions	<ul style="list-style-type: none"> 36 metered solar sites Total installed capacity: 11.3MW The estimated carbon reduction benefit is approximately 7,074.88 tonnes of CO₂e per year. 	<ul style="list-style-type: none"> 211 metered solar sites (↗ 486%) Total installed capacity: 60.1MW (↗ 432%) The estimated carbon reduction benefit is approximately 36,593 tonnes of CO₂e per year.
Scope 3	Water consumption	<ul style="list-style-type: none"> Installation of water-saving devices Water conservation policy advocacy and promotion 	To reduce per-capita water consumption by 1% compared to the base year	The per-capita water consumption was 8.63 thousand liters	The per-capita water consumption was 9.03 thousand liters (↗ 4.6%)
	Waste	<ul style="list-style-type: none"> Promote paper-free digitalization Waste reduction and recycling paper destroyed by water 	Promoting a paper-less work environment	<ul style="list-style-type: none"> The digitization saved 6,944,600 pieces of paper which is equivalent to a reduction of 52,779 kg of CO₂e emissions. Volume of recycled paper destroyed by water: 15.15 tonnes 	<ul style="list-style-type: none"> The digitization saved 26,850,000 pieces of paper which is equivalent to a reduction of 204,030 kg of CO₂e emissions. Volume of recycled paper destroyed by water: 8.26 tonnes (↘ 45.4%)



5.3 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 2023

Subject Matters	Details	Implementation in 2023
Reduction from the source 	Paper / PET bottles / general waste	Regular cleaning and resource sorting daily
Saving energy and resources 	<ul style="list-style-type: none"> Turn off power for 0.5 hours at noon every day LED lighting in the office Install energy-saving equipment 	<ul style="list-style-type: none"> The headquarters turns off the lights for 0.5 hours every day. 95% of operations bases in Taiwan use LED lamps; in 2023, Taitung operation will be launched, and the lamps are planned to be replaced. The restrooms in the headquarters are equipped with sensor-activated faucets and water-saving toilets.
Green purchases 	Prioritize procurement of products with environmental, energy, water, and green building material labels	The amount of green purchases amounted to \$20.21 million, an increase of 313% compared with the previous year. The main purchase items are information equipment.
Environmental greening and beautification 	Install portable green plants to improve indoor air quality.	We set up green plants in public areas of the office (such as pantry rooms, meeting rooms, etc.).
Advocacy and dissemination 	<ul style="list-style-type: none"> Set up energy-saving slogans and send out promotional e-newsletters. Call on employees to engage in environmental protection actions 	<ul style="list-style-type: none"> We installed energy-saving promotional cards at the switches in pantry rooms and on electrical equipment We held 34 environmental protection activities, such as mountain cleaning, beach cleaning, and wetland adoption to raise employees' sustainability awareness

As for operating sites, we actively follow up on the use of various resources and have formulated relevant regulations on energy 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.

5.3.1 Energy management

GRI 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 hold a "passing through five checkpoints activity" by asking employees to check if the computers, lights, air-conditioners, multi-function printers and extension cord switches 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 2023, the per capita electricity consumption decreased slightly by 0.29%. In the future, HFC will also actively promote the introduction of energy-saving measures to continuously improve energy efficiency.

Regarding automotive gasoline, in order to promote the net zero goal, HFC has gradually increased the proportion of electric company cars. In 2023, HFC a total of 62 company vehicles, including 2 pure electric vehicles, 17 gasoline-electric hybrid vehicles, and 43 gasoline vehicles. The proportion of pure electric and gasoline-electric hybrid vehicles is "30%." The total consumption of gasoline was 119,628.35 liters, and the consumption per unit was 1,929.49 liters. The increase in automotive gasoline usage in 2023 was due to the increased frequency of cross-border commuting in 2023 as a result of the expansion of the managers' responsible business territory.

► Energy consumption of HFC over the years

Year		2021		2022		2023	
Category		Energy usage	Consumption per unit	Energy usage	Consumption per unit/capita	Energy usage	Consumption per unit
Automotive gasoline (liters)		86,374.14	1,393.13 per unit	114,470.00	1,506.18 per unit	119,628.35	1,929.49 per unit
Electricity (kWh)		1,220,179.00	1,293.93 per capita	1,447,561.00	1,324.39 per capita	1,562,172.00	1,320.52 per capita
Energy consumption (GJ)	Automotive gasoline	2,820.86	-	3,738.43	-	3,906.71	-
	Electricity	4,392.64	-	5,211.22	-	5,624.83	-
	Total	7,213.50		8,949.65		9,531.54	
Energy Intensity (GJ/NTD million)		0.612		0.587		0.513	

Note 1: Information disclosure on energy consumption is based on HFC

Note 2: Energy heating value coefficients are based on the energy product unit heating value table from the Bureau of Energy, Ministry of Economic Affairs

1 liter of motor gasoline \doteq 0.03265704GJ; 1kWh of electricity \doteq 0.003600648 GJ.

Note 3: The "consumption per unit" is defined as the average liters of automotive gasoline per vehicle, and the electricity is the per capita kWh of electricity consumption.

Note 4: HFC does not currently use renewable energy.

Note 5: Energy intensity (GJ/NTD million) = energy consumption (GJ) / individual corporate revenue (NTD million).

5.3.2 Water resource management

GRI 303-1 、 303-2 、 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 sewerage system. After treatment through the sewerage system, the water quality met the discharge standard before being discharged into the natural water bodies; therefore there was no adverse impact. In addition, we have also installed water conservators to regulate the water output and eliminate unnecessary water waste. In 2023, the total water consumption of HFC was 10.684 million liters, and the per capita water consumption increased by 4.6%. However, water efficiency has improved, with an average reduction of 7.04% in water usage per million in revenue. Due to the nature of the industry of HFC, HFC is not a major water user. For water conservation actions, HFC will continue to strengthen its publicity efforts in order to raise awareness of environmental protection.

► Water consumption of HFC over the years

Year	2021	2022	2023
Total water consumption (water withdrawal) (million liters)	7.894	9.435	10.696
Water usage per capita (thousands of liters/person)	8.37	8.63	9.04
Water usage per million in revenue. (thousands of liters)	0.67	0.62	0.58

Note 1: Information disclosure on water consumption is based on HFC

Note 2: 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 3: Water consumption per capita (kiloliters/person) = Total water consumption of an enterprise (kiloliters) / Total number of employees (persons).

5.3.3 Waste management

HFC is not in manufacturing industry, and thus the wastes generated during its operations are mainly domestic wastes. In order to reduce the impact of waste disposal on the environment, we implement waste classification and resource recycling in the workplace daily. We also adhere to the concept of environmental protection, Three R, and take the following actions to further reuse resources. In addition, HFC has been actively promoting a "paper-free" work environment in recent years, and the quantity of paper destroyed by water in 2023 was significantly lower than in previous years.



► Results of HFC implementation of the 3Rs

Reduce



[Externally].

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

[Internally].

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

Reuse



- 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
- We donated 47 used computers to 4 non-profit organizations for sustainable resource recycling and reuse

Recycle



Paper recycling and destruction operations

Volume of paper destroyed by water	2021	2022	2023
Number of boxes recycled (units)	1,928	1,503	836
Weight of boxes recycled (tonnes)	15.26	15.15	8.26

Note: Paper destruction operations means sending confidential data to the destruction area, mixing it with boiling hot water, and then beating it into pulp. HFC appoints an external third-party business to shred documents by water and record the number and weight of the boxes of documents shredded based on the shredding list.

5.4 Sustainable supply chain management

GRI 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.

Supplier selection

Whether the quality and cost of services comply with safety, environmental protection and environmental hygiene standards.

Signing

Supplier undertaking

Supplier assessment

Daily assessment
Annual Assessment

Class A: Low risk
Qualified suppliers

Class B: Medium risk
These suppliers will be placed under observation or will not be cooperated with.

Class C: High risk
The suppliers will not be allowed to do business with the Company and will be disqualified.





► Key points of supplier assessment

Annual Assessment	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • We keep records of any periodicities that occur with our suppliers on a daily basis to provide a basis for an annual assessment.

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 2023, we worked with 48 suppliers and assessed 100% of the suppliers. The result of the assessment was that all suppliers were qualified; 100% of them are level A, and there are no level B or C suppliers.

► Supplier assessment result in 2023

Supplier classification	Risk level	Management measures	Result
Class A	Low risk	No abnormalities, qualified suppliers	100%
Class B	Medium risk	Abnormal, included in the suppliers to be observed or not to cooperate	0%
Class C	High risk	Abnormal, do not deal with and disqualify the supplier	0%

100% local procurement

The amount of green purchasing increased by 313%.

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 2023, while aiming to prioritize the purchasing of green products with environmental protection, energy efficiency, water efficiency, or green building materials labels. In 2023, in response to the Company's promotion of digital transformation and bulk purchasing of information equipment, green purchasing amounted to \$20.21 million, representing an increase of 313% from the previous year. HFC will continue to choose and cooperate with

high-quality and environmentally friendly suppliers to jointly implement the concept of a friendly and sustainable environment.

6 Social Inclusion

6.1 Social engagement strategy

6.2 Motorcycle road safety program

6.3 Social care

6.4 Environmental protection

6.5 Support the arts and culture





6.1 Social engagement strategy GRI 413-1

HFC has a vision of sustainable management and believes that the success of a company comes from the support of the community. As the leading automobile finance company in Taiwan, HFC has a great influence on society and the environment. The belief of "Taken from the community, giving back to society" has become the core philosophy of HFC in building social participation, and we expect all employees to become part of the social safety net. HFC encourages its employees to participate in volunteer services and social participation programs, and to give and care for the service recipients on the spot to start the cycle of goodness. Furthermore, HFC is committed to the four major aspects of " motorcycle road safety, social care, environmental protection, and support for arts and culture."

► Focus of HFC engagement project

Focus	Philosophy	Action plan	Purpose	Corresponding SDGs
<p>Motorcycle road safety</p>	While providing clients with installment services when purchasing motorcycles, we integrate traffic safety concepts and actions to enhance the value of our services and build a "Road Safety Ecosystem."	Motorcycle road safety awareness raising plan	<ul style="list-style-type: none"> To foster a proper understanding of "traffic rules" among motorcyclists To develop the concepts of defensive driving and responsible driving to reduce the occurrence of motorcycle rider injuries and fatalities 	
<p>Social care</p>	With the call of "Sharing Love—Happiness is Everywhere", we take practical actions to care for the needy in the society and cultivate employees' empathy in the process.	<ul style="list-style-type: none"> Andrew Food Bank volunteer activities Taiwan Foundation for the Blind Sheltered Workshop volunteer activities Charity Support to Teacher Chang Foundation Donation of revived computers Community service Rural revitalization and social innovation merchandise subscriptions 	<ul style="list-style-type: none"> To support the sustainable development of nonprofit organizations To improve the quality of life of disadvantaged groups 	
<p>Environmental Protection</p>	To protect the sustainability of the earth, HFC will not be absent. Through multiple actions, HFC supports the promotion of sustainable environment.	<ul style="list-style-type: none"> Wetland conservation actions Earth Hour Beach Cleanup throughout Taiwan Habitat protection 	<ul style="list-style-type: none"> To maintain biodiversity To protect natural carbon sinks To promote balanced ecological development 	
<p>Support for arts and culture</p>	We support the development of local culture in conjunction with the industry, and to encourage employees to participate in various arts and cultural activities, so as to uphold local culture through practical actions.	<ul style="list-style-type: none"> Green Energy Social Charity Action Project Having fun by riding with iRent Let's support culture and arts! 	<ul style="list-style-type: none"> To promote the inheritance and development of local cultures Popularize the appreciation of arts and culture 	

HFC has long been involved in the promotion of social welfare and actively responds to the diversified needs of the community. In addition to financial donations, we also have a well-planned volunteer participation system that combines performance appraisals and rewards. At the end of the year, departments and employees with outstanding volunteer participation are publicly commended. We encourage all employees to participate in social activities, provide long-term and continuous warmth to all those we care for, and jointly create social good and exert positive influence.

► The social influence & community investment footprint of HFC in 2023

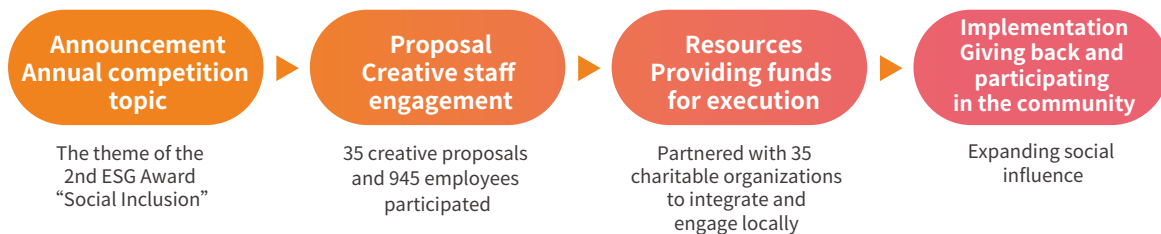


Note: With reference to the definition of B4SI (Business for Social Impact Framework), resource inputs include in-kind donations, cash donations and administrative costs (e.g., marketing resources, project management fees, etc).

► All employees participate in the ESG Award competition.

In order to deepen the understanding and commitment to sustainability among employees of HFC, the second "ESG Award Competition" was organized in 2023. Through the design of the competition system and the provision of funds to each department for the organization of activities and support for charitable organizations, each department is inspired to plan its own social engagement projects. In addition, ESG proposals are made in conjunction with the needs of local social service organizations to jointly create diverse sustainable actions, thereby expanding our sustainable impact. At the same time, it also builds up departmental cohesion and corporate identity.

● ESG Award promotion system



Different themes are set for each ESG Award to encourage employees to engage in diverse ESG activities. The second ESG Award was organized under the theme of "Social Inclusion", focusing on disadvantaged children, elderly, physically and mentally challenged groups, stray animals, etc. It aims to enhance corporate care for the community, provide employees with the opportunity to reach out to different disadvantaged groups, and to take practical actions to give back to the community while cultivating empathy. There were a total of 35 creative proposals in the second ESG Award, and 945 employees participated, demonstrating the high level of attention and recognition of employees for ESG issues.



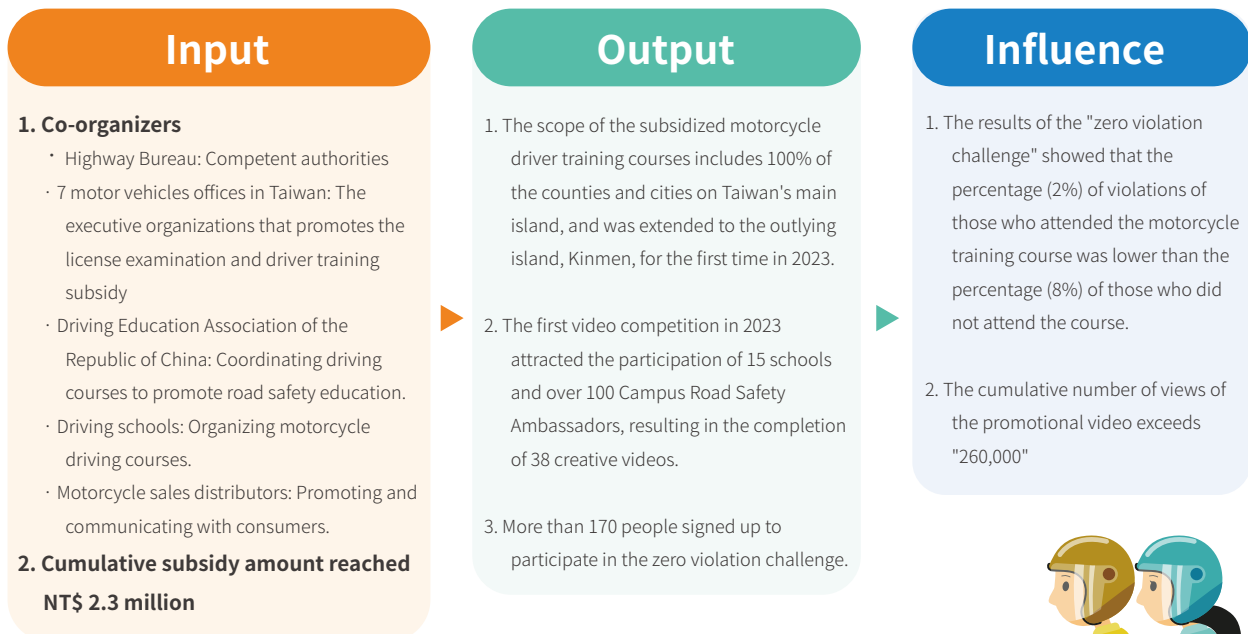
6.2 Motorcycle road safety program

Taiwan has the highest rate of motorcycle ownership in the world, with more than 14 million motorcycles on the road every day, which means that less than two people on the road own a motorcycle. According to the statistics of the Traffic Safety Committee of the Ministry of Transportation and Communications, the fatality rate of traffic accidents in Taiwan is 4 to 6 times higher than that of the OECD countries, with "motorcycle users" being the highest, accounting for 60% of the total number of deaths.

We have countless accidents related to scooters in Taiwan every year. To reduce the deaths of automobiles and scooters, advocating road users' awareness of defensive driving is the key. HFC has long been committed to the motorcycle finance business, providing clients with affordable installment solutions so that people can easily purchase vehicles and have a convenient mobility experience. To this end, HFC has made it its mission to disseminate information on road user safety issues.

We understand that it is not easy and requires consistency to build up a solid motorcycle training awareness. In order to let more people know the importance of taking a driver training class before taking the license test, HFC has taken the lead in promoting motorcycle driver training in cooperation with the Taipei City Motor Vehicles Office in 2022. In addition to providing a full subsidy of \$500,000 for low- and middle-income residents to attend motorcycle driver training courses, a promotional video was also produced. Through a creative and lively short film with the slogan "Motorcycle riding should be trained and not count on luck," the program has attracted the attention of young people. Furthermore, the video was donated to the Ministry of Transportation and Communications for the promotion of motorcycle safety, and was viewed by 250,000 visitors.

► Motorcycle road safety program promotion framework



In 2023, in order to make the awareness of motorcycle road safety more widespread, HFC was expanding the scope of promotion to the whole of Taiwan. Together with the Highway Bureau of the Ministry of Transportation and Communications and the seven motor vehicles offices in Taiwan, HFC launched a three-part series of the "Motorcycle Road Safety Promotion Program."



► Subsidies for motorcycle driving training courses

We provided \$1.8 million grant to encourage people in Taiwan to attend motorcycle driver training schools. By learning complete riding skills, traffic rules and proper driving habits, and by developing the knowledge of defensive and responsible driving, injuries and fatalities among motorcyclists are expected to be reduced.



► Road safety video competition

In order to call on more young people to recognize and promote motorcycle driving training schools, HFC launched the "Motorcycle Road Safety Video Competition" and invited students from high schools, vocational schools, colleges and universities across Taiwan to participate in the competition. By shooting road safety videos from young people's point of view, the public can easily and simply understand road safety knowledge. Moreover, we offered a total prize money of \$230,000 to attract more than a hundred students from all over Taiwan to sign up for the competition. °

In the end, the top six winning videos were selected by professional judges and online votes from the general public, and we presented the awards and recognized the students at the press conference. The first prize was awarded to the video, "Motorcycle Safety Song," by the team from Ming Chuan University. The interesting plot, together with the lively and catchy songs, has left a deep impression on the audience. The video was also donated to the Highway Bureau of the Ministry of Transportation and Communications as a motorcycle safety promotional video to be broadcasted at all major motor vehicles offices, driver training schools and online platforms.



► Zero violation challenge

The ultimate goal of promoting motorcycle road safety is to reduce the rate of non-compliance, which in turn reduces the number of accidents. Therefore, HFC has organized the "zero violation challenge" to encourage the public to sign up for the challenge, and if they can maintain a record of zero violation for three months, they will be eligible for a lucky draw. HFC integrates its core business to fulfill its corporate social responsibility, and hopes to work together with government agencies and schools to bring benefits to Taiwan's traffic safety, so that motorcycle road safety can no longer just be a slogan!

6.3 Social care

With the call of "Sharing Love—Happiness is Everywhere", HFC invites its partners and employees to take practical actions to care for the needy groups in the society. Every action is a "gift of love" from HFC to everyone, and only through the sharing of love can happiness be omnipresent.

► Abundant FOOD and Love Alliance - Andrews Food Bank Food Boxes

Andrew Food 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 have worked with the Andrew Charity Association to launch the project "HFC's love for food brings happiness to everywhere" since 2020. Every year, employees from all locations in Taiwan participate in food box packing volunteering activities to deliver abundant food and love to various corners of the society in need. Moreover, we invited business partners to form the "HFC's love for food alliance", including Mizuho Bank, Ltd., E.Sun Commercial Bank, Ltd., Taishin Securities Co.,Ltd., and PwC Taiwan. Doing good takes all of us working together.

In 2023, HFC donated 1 million dollars (1,000 boxes of food), which were hand-packed and placed with handwritten care cards by our employees across Taiwan. We hope to use the power of words to give warmth and care to children, and to improve their physical and mental development. In addition to donating food boxes, HFC supported small farmers by purchasing winged bean biscuits from Taitung's eco-friendly farms and shared them with those who received the food boxes.

Moreover, HFC also plans hand-delivery services in North, Central and South Taiwan. Employees hand-deliver the food boxes they pack to the people they care about, thereby understanding the needs of the people at first hand. We hope that each food box will not only provide food to fill up the stomach, but also let people feel the great care from HFC.



► Support of friends with disabilities

HFC turned love into orders to help people with physical and mental disabilities to become independent. During the Dragon Boat Festival, we purchased more than 2,300 boxes of "Dragon Boat Festival Gift Boxes" from SO BRIGHT, Taiwan Foundation for the Blind and "Love Never Nags Biscuits Gift Boxes" from the Down Syndrome Foundation. The gift boxes amounted to more than \$1.11 million and we presented the gifts to each employee. 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. By taking concrete actions to support social innovation, HFC was awarded the 2023 Buying Power - Social Innovation Products and Services Procurement Award by the Ministry of Economic Affairs.

Subscription of 2,300 festive gift boxes
Over 60 employees participated in the volunteer activity of packaging gift boxes for the festive season.



Moreover, every festival is the busiest time for the Taiwan Foundation for the Blind Sheltered Workshop. HFC has supported the Foundation for the Blind for three consecutive years by actual actions; HFC's employees headed to the shelter workplace to be volunteers and help people with physical and mental disabilities to quickly process their orders. From packing, packaging, assembling and counting, all of these tasks were done by the employees themselves. In just one afternoon, over a hundred of gift boxes were assembled quickly and efficiently, which showed the enthusiasm of the employees!



► Teacher Chang Foundation—charity support plan

The "Teacher Chang" Foundation has been in existence for 54 years and has accompany more than 3.5 million people through the difficulties and lows in life. The Foundation created the first web-based counseling service to provide more immediate and convenient online counseling services through text messages. However, due to limited space and resources, the volunteers could only squeeze at one meeting table to provide counseling services, which could cause interference with each other and affect the quality of services.

Recognizing Teacher Chang's needs, HFC joined hands with its subsidiary, Hotai Leasing, and supplier, Zuhan Design, to renovate the Internet counseling room. They planned a professional and comfortable office environment, and used environmentally friendly building materials throughout the room to support social welfare and implement environmental sustainability. The volunteers are all grateful and happy that they have an independent and comfortable space, which allows them to be energized and provide more "heartfelt" companion services to the public!



► Donation of revived computers

In response to HFC's digital transformation, every salesperson is now equipped with a tablet, which allows them to handle cases anytime, regardless of geographic location, so that clients can receive the most immediate assistance. In the transformation, these decommissioned desktop computers haven't been out of the factory for a long time. Considering the sustainability of the environment and the need for computers from the charity partners, HFC donated 47 computers to 4 charity organizations to reuse the resources and help the charity partners to run their business more smoothly and to cultivate the working skills of the physically challenged friends, thus letting the cycle of love be sustainable.



6.4 Environmental protection

HFC is committed and spares no effort to promoting energy conservation, carbon reduction, and environmental protection. In its daily operations, HFC has implemented various energy-saving measures, such as the "five switch-offs: turn off the computer, turn off the lights, turn off the air-conditioning, turn off the multi-function printers, and turn off the extension cords," to cultivate employees' awareness of environmental protection in the workforce. HFC also urges its employees to participate in various environmental protection volunteer activities to contribute to the sustainability of the earth.

6.4.1 Turn the lights off for one hour

In 2023, we continued to respond to Earth Hour jointly launched by the Society of Wilderness and the World Wide Fund for Nature (WWF) for three years in a row. In addition, we worked with subsidiaries and partners to participate in this event to expand our influence and enable more people to understand the importance of environmental change.

Also, we donated the electricity costs saved during Earth Hour in 2023 to the Taiwan Foundation for the Blind—SO BRIGHT for it to purchase dust-proof clothing and lockers 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.



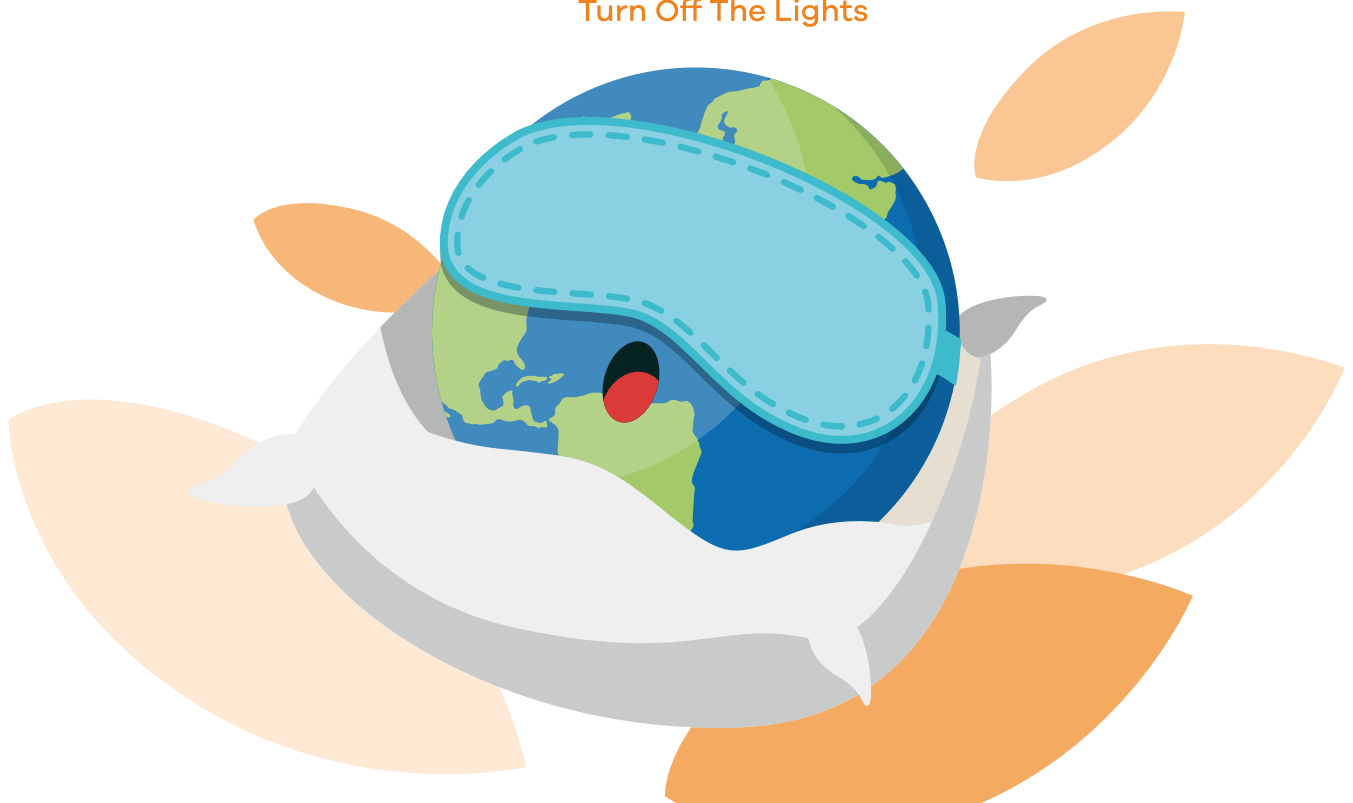
2023 Earth Hour
HFC supporting video

<https://www.youtube.com/watch?v=E5nszdLRqww>



EARTH HOUR

Turn Off The Lights



6.4.2 Habitat protection - safeguarding biodiversity and natural carbon sinks

▶ Adopting Zhanghe wetland for wetland conservation actions



Donated 50 waterproof waders
132 employees participated in reservation activities

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.

HFC is the first company to adopt Zhanghe wetland, and it works with the public sector to maintain the wetland environment. In addition to donating 50 waterproof waders to give the public a chance to get close to the wetland for environmental education activities, in 2023, HFC also had 132 volunteers roll up their sleeves to go deep into the waters and land to carry out wetland conservation actions. They removed more than 200 kilograms of exotic species (*Mikania micrantha*) and carried out regular environmental maintenance work for the ecosystem, which is home to more than 600 species of flora and fauna, in order to maintain a space for harmonious coexistence between the species and the environment.



▶ Coastal afforestation and beach cleanup actions



14 beach cleanup activities throughout Taiwan
Working together with 447 volunteer staff, 1,821.5 kg of marine waste was removed.

In April 2023, in response to the World Earth Month and the Hotal Group's beach cleanup activities, HFC initiated the "Beach Cleanup and Plastic Reduction Mobilization in Taiwan" action. HFC called upon 477 volunteer employees at 14 beaches throughout Taiwan to roll up their sleeves and join in the coastal environmental protection action. The beach cleanup activity removed a total of 1,821.5 kilograms of marine wastes on the day of the event.

Furthermore, we continue to support the Group's "One Tree for One Toyota Car" plan, to protect Taiwan's shrinking coastlines through the Group's collective efforts. In October 2023, we planted 1,500 saplings in the Beach in Zhuangwei, Yilan. 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. HFC takes concrete actions to protect the marine ecology, hoping to arouse the public's attention to marine conservation through our efforts.



6.4.3 Green energy social charity action project

In the spirit of caring for Taiwan's land, we have integrated ESG into our business strategy and core business. In 2023, we planned the "Green Energy Social Charity Action Project" with the Catholic Hua Kuang 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. Understanding urgent needs, HFC immediately launched a project to replace the old lights with solar ones. In the future, the Green Energy Social Charity Action Project will also enter other fields in Taiwan. By combining HFC's core expertise, we will use green electricity to illuminate all corners of society and continue to move towards social inclusion and environmental sustainability.

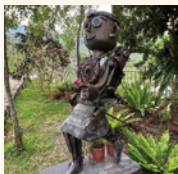


6.5 Support the arts and culture

Invest over NT\$ 5 million in arts and cultural activities



HFC and its subsidiaries support cultural development (Vagabond Festival, Emerge Fest reserving the entire theater to watch Taiwanese movies, theater appreciation, and support for indigenous cultures, etc.) by incorporating their core businesses. At the same time, employees are encouraged to participate in various arts and cultural activities to cultivate their disposition and enhance their ability to appreciate arts and cultural activities, thereby supporting local culture through practical actions. In 2023, we invested more than NT\$ 5 million in related resources (financial support, products and services, employee participation, publicity and promotion, etc.)



Green Energy Social Charity Action Project

Combining the core business of our subsidiary (He Jun Energy), we are planning a public welfare solar power plant and supporting schools in indigenous tribes to promote culture and education (e.g., the Atayal jew's harp, cultural and creative development, etc.), so that the Atayal culture can be illuminated by light.

- Contribution from cultural education fund
- Organize cultural exchange activities
- Spreading the results of cultural promotion



Having fun by riding with iRents

The subsidiary (Ho Ing Mobility Service HI MS) encourages the public to participate in arts and cultural festivals (including the Vagabond Festival, Megaport Festival, Emerge Fest, etc.) by incorporating the iRent mobile service.

- Investing advertising resources to support promotion and publicity.
- Providing iRent hours as feedback
- Providing manpower to help on-site vendors, guiding them and dispatching vehicles



Let's support culture and arts!

HFC encourages its staff to participate in arts and cultural activities (such as reserving the entire theater to watch Taiwanese movies, theater appreciation, book donation, etc.) through subsidies for club activities and theater reservation, which not only cultivate their temperament and enhance their artistic and cultural qualities, but also achieve the goal of supporting the development of Taiwanese culture.

- Reserving the whole theater to watch drama
- Subsidies for arts and cultural activities of the Company
- Supporting event promotion
- Organizing the creative video competition

Appendix

Index of the GRI Standards

Sustainability Accounting Standards Board (SASB) Index

United Nation Global Compact Comparison Table

Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Summary of Subject Matters Assured

Independent Auditors' Limited Assurance Report

Greenhouse Gas Verification Opinion

ESG Report BSI Independent Assurance Opinion Statement



Appendix

Index of the GRI Standards

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

Statement of use	HFC complies with the GRI Standards for reporting during the period from January 1, 2023 to December 31, 2023.
Use of GRI1	GRI 1: Foundation (2021)
Applicable GRI sector standards	N/A

► GRI 2 General disclosures

GRI Standards	Comparison of GRI Indicators	Chapter	Page Number
GRI 2: General Disclosures 2021	2-1 Organizational details	About Hotai Finance Co., Ltd.	12-15
	2-2. Entities included in the organization's sustainability reporting	About this Report About Hotai Finance Co., Ltd.	4-7 12-15
	2-3 Reporting period, frequency and contact point	About this Report	4-7
	2-4 Restatements of information	Appendix GRI Index (no restatement)	120-123
	2-5 External assurance	About this Report	4-7
	2-6 Activities, value chain and other business relationships	About Hotai Finance Co., Ltd.	12-15
	2-7 Employees	4.1.1 Hiring outstanding talent	74-77
	2-8 Workers who are not employees	4.1.1 Hiring outstanding talent	
	2-9 Governance structure and composition	2.1 Corporate Governance	38
	2-10 Nomination and selection of the highest governance body	2.1.1 Professionalism, independence, and diversity of the board of directors	39-42
	2-11 Chair of the highest governance body	2.1.1 Professionalism, independence, and diversity of the board of directors	
	2-12 Role of the highest governance body in overseeing the management of impacts	1.1 Sustainability governance system	17-18
	2-13 Delegation of responsibility for managing impacts	1.1 Sustainability governance system	
	2-14 Role of the highest governance body in sustainability reporting	About this Report 1.1 Sustainability governance system	4-7 17-18
	2-15 Conflicts of interest	2.1.1 Professionalism, independence, and diversity of the board of directors	39-42
	2-16 Communication of critical concerns	1.5 Stakeholder engagement 2.5 Compliance with laws and regulations	30-32 52
	2-17 Collective knowledge of the highest governance body	2.1.1 Professionalism, independence, and diversity of the board of directors	39-42
	2-18 Evaluation of the performance of the highest governance body	2.1.1 Professionalism, independence, and diversity of the board of directors	
	2-19 Remuneration policies	2.1.1 Professionalism, independence, and diversity of the board of directors	



GRI Standards	Comparison of GRI Indicators	Chapter	Page Number
GRI 2: General Disclosures 2021	2-20 Process to determine remuneration	2.1.1 Professionalism, independence, and diversity of the board of directors 2.1.2 Functional committees	39-42 43-45
	2-21 Annual total compensation ratio	4.1.2 Provide fair remuneration	77-78
	2-22 Statement on sustainable development strategy	Message from Management	8-9
	2-23 Policy commitments	Chapter 2 Corporate Governance - Material Topic Management Chapter 3 Customer Value - Material Topic Management Chapter 4 Happy Workplace - Material Topic Management Chapter 5 Environmental Sustainability - Material Topic Management	34-37 60 73 95
	2-24 Embedding policy commitments		
	2-25 Processes to remediate negative impacts		
	2-26 Mechanisms for seeking advice and raising concerns	Chapter 2 Corporate Governance - Material Topic Management Chapter 3 Customer Value - Material Topic Management Chapter 4 Happy Workplace - Material Topic Management Chapter 5 Environmental Sustainability - Material Topic Management 3.3 Customer Rights and Services	34-37 60 73 95 66-69
	2-27 Compliance with laws and regulations	2.3 Risk Management 2.5 Compliance with laws and regulations	48-49 52
	2-28 Membership associations	About Hotai Finance Co., Ltd.	15
	2-29 Approach to stakeholder engagement	1.5 Stakeholder engagement	30-32
	2-30 Collective bargaining agreements	HFC does not yet have a labor union. Through the Employee Welfare Committee, the Company conducts regular labor-management meetings to communicate the rights and interests of employees, so that the senior management can reach a consensus with the employees. We implement the spirit of the Collective Agreement Act, which stipulates that employers and employees should conduct collective bargaining based on the principle of honesty and credibility, thereby protecting employees' right to collective bargaining.	-

► GRI Topic Standard

Topic	Comparison of GRI Indicators	Chapter	Page Number	
Management Approach GRI 3: 2021	3-1 Process to determine material topics	1.4 Analysis of material topics	26-29	
	3-2 List of material topics	1.4 Analysis of material topics		
Corresponding ESG facets	Topic	Comparison of GRI Indicators	Chapter	Page Number
Governance (G)	Material Topic: Corporate Governance			
	Management Approach GRI 3: 2021	3-3 Management of material topics	Chapter 2 Corporate Governance - Material Topic Management	34-37

Corresponding ESG facets	Topic	Comparison of GRI Indicators	Chapter	Page Number
Governance (G)	Material Topic: Corporate Governance			
	Management Approach GRI 3 : 2021	3-3 Management of material topics	Chapter 2 Corporate Governance - Material Topic Management	34-37
	201: Economic Performance 2016	201-1 Direct economic value generated and distributed	2.2 Operation Performance	46-47
		201-2 Financial implications and other risks and opportunities due to climate change	5.1 Climate Change Risk Management	96-101
		201-3 Defined benefit plan obligations and other retirement plans	4.1.3 Provide good benefits	78-81
		201-4 Financial assistance received from government	2.2 Operation Performance	46-47
	Material Topic: Ethical Corporate Management			
	Management Approach GRI 3 : 2021	3-3 Management of material topics	Chapter 2 Corporate Governance - Material Topic Management	34-37
	205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	2.2 Operation Performance	50-51
		205-3 Confirmed incidents of corruption and actions taken	2.4 Ethical Management	
	206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.4 Ethical Management	
	Material topic: information security management			
	Management Approach GRI 3 : 2021	3-3 Management of material topics	Chapter 2 Corporate Governance - Material Topic Management	34-37
418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.5 Compliance with laws and regulations 2.6.1 Information security management	52 53-56	
Society (S)	Material Topic: Customer Rights and Services			
	Management Approach GRI 3 : 2021	3-3 Management of material topics	Chapter 3 Customer Value - Material Topic Management	60
	Material topic: talent development and welfare			
	Management Approach GRI 3 : 2021	3-3 Management of material topics	Chapter 4 Happy Workplace - Material Topic Management	73
	401: Employment 2016	401-1 New employee hires and employee turnover	4.1.1 Hiring outstanding talent	74-77
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1.3 Provide good benefits	78-81
		401-3 Parental leave	4.1.3 Provide good benefits	
	404: Training and Education 2016	404-1 Average hours of training per year per employee	4.2.2 Multiple learning channels	86-87
404-3 Percentage of employees receiving regular performance and career development reviews		4.2.3 Performance evaluation and rotation system	87	



Corresponding ESG facets	Topic	Comparison of GRI Indicators	Chapter	Page Number
Society (S)	405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	2.1.1 Professionalism, independence, and diversity of the board of directors 4.1.1 Hiring outstanding talent	39-42 74-77
		405-2 Ratio of basic salary and remuneration of women to men	4.1.2 Provide fair remuneration	77-78
Environment (E)	Material topic: operational environmental sustainability			
	Management Approach GRI 3 : 2021	3-3 Management of material topics	Chapter 5 Environmental Sustainability - Material Topic Management	95
	302: Energy 2016	302-1 Energy consumption within the organization	5.3.1 Energy management	105
		302-3 Energy intensity	5.3.1 Energy management	
	303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	5.3.2 Water resource management	106
		303-2 Management of water discharge-related impacts	5.3.2 Water resource management	
303-3 Water withdrawal		5.3.2 Water resource management		

► Sustainability Accounting Standards Board (SASB) Index

Disclosure topic: customer privacy					
No.	Disclosure Indicators	Disclosure of Information		Corresponding chapter	
		2022	2023		
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	0	0	-	
Disclosure topic: data security					
No.	Disclosure Indicators	Disclosure of Information		Corresponding chapter	
		2022	2023		
FN-CF-230a.1	Data security	1. Number of data breaches	0	0	2.6.1 Information security management
		2. Percentage of number of data breaches involving personally identifiable information (PII) (=Amount of personal information/Total number of data breaches)	0	0	
		3. Number of account holders affected	0	0	
FN-CF-230a.2	Card-related fraud losses	1.Card-not-present fraud	HFC does not issue credit cards and is therefore not applicable		
		2.Card-present fraud			
FN-CF-230a.3	Approach to identifying and addressing data security risks	See "3.2.3 Information Security and Personal Data Protection" in the 2022 ESG report	See "2.6 Information Security and Personal Data Protection" in this report for details	2.6 Information Security and Personal Data Protection	

Disclosure topic: sales business					
No.	Disclosure Indicators	Disclosure of Information		Corresponding chapter	
		2022	2023		
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	Applicants with FICO scores >660 or ≤ 660:	1. Credit products 2. Pre-paid product application approval rate	It will not be disclosed for now.		
FN-CF-270a.3	Applicants with FICO scores >660 or ≤ 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	49 cases 133 cases Finance: 32 cases Non-finance: 17 cases 0.01% 35%	Note: The competent authorities include consumer ombudsmen of city and county governments Finance: 39 cases Non-finance: 94 cases Note: Monetary: Disputes over interest rates, delay interest, or processing fees; non-monetary: Disputes over trading. 0.01% Note: Percentage disputed by consumer = Number of letters from consumer ombudsmen / Number of cases held by the Company 38% Note: Percentage that resulted in investigation by competent authorities = Number of mediation meetings/ Number of letters from consumer ombudsmen	3.3 Customer Rights and Services
FN-CF-270a.5	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	0	0	-	
Operating indicators: corporate operating indicators					
Indicator No.	Disclosure Indicators	Disclosure of Information		Corresponding chapter	
		2022	2023		
FN-CF-000.A	Holding the effective	1. Credit cards 1. Number of clients accounted for debit cards	HFC does not issue debit cards and is therefore not applicable		
FN-CF-000.B	Cards in force	1. Credit cards	HFC does not issue credit cards and is therefore not applicable		

Note 1: The competent authorities include consumer ombudsmen of city and county governments

Note 2: Monetary: Disputes over interest rates, delay interest, or processing fees; non-monetary: Disputes over trading.

Note 3: Percentage disputed by consumer = Number of letters from consumer ombudsmen / Number of cases held by the Company

Note 4: Percentage that resulted in investigation by competent authorities = Number of mediation meetings/Number of letters from consumer ombudsmen



► United Nation Global Compact Comparison Table

Category	Principle contents	Corresponding chapter	Page Number
Human rights	Businesses should support and respect the protection of internationally proclaimed human rights	4.1 Talent attraction, remuneration and benefits 4.3 Human rights protection and workplace safety and health	88-91
	Make sure that they are not complicit in human rights abuses		
Labor rights	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;		
	The elimination of all forms of forced and compulsory labor		
	The effective abolition of child labor		
Environment	Businesses should support a precautionary approach to environmental challenges	3.2 Investment in sustainability and cleanliness 4.3.2 Safe and healthy work environment 5.3 Operating Environment Management	64-65 91-93 104-107
	undertake initiatives to promote greater environmental responsibility		
	Encourage the development and diffusion of environmentally friendly technologies.		
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	2.3 Ethical Management	90-91

► Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Risks and opportunities caused by climate change and the related countermeasures taken by the Company		Chapter comparison
1	State board and management's oversight and governance of climate-related risks and opportunities.	5.1 Climate Change Risk Management
2	State how the identified climate risks and opportunities affect an enterprise's business, strategy, and finance (in the short, medium, and long term).	5.1.2 Material climate risk identification results and adaptive actions 5.1.3 Material Climate Opportunity Identification Results and Adaptive Actions
3	State the financial impact of extreme climate events and transition actions	5.1.2 Material climate risk identification results and adaptive actions 5.1.3 Material Climate Opportunity Identification Results and Adaptive Actions
4	State how climate risk identification, assessment, and management processes are integrated into the risk management system	5.1 Climate Change Risk Management
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	5.1.2 Material climate risk identification results and adaptive actions
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	5.1.2 Material climate risk identification results and adaptive actions
7	If an internal carbon pricing mechanism is adopted as a planning tool, the basis for pricing should be stated.	The Company does not currently use internal carbon pricing as a planning tool.
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.	5.2 Greenhouse gas management
9	Greenhouse gas inventory and assurance	5.2 Greenhouse gas management
	Greenhouse gas reduction inventory goals, strategies, and specific action plans	

Summary of Subject Matters Assured

Item	Information on the Assurance Subject	Aspect	Applicable Criteria
1	Attendance of the Board of Directors in person was 97% in 2023.	Governance (G)	A total of 7 Board meetings were held in 2023. 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 16th meeting of the 10th Board to the 22th meeting of the 10th Board.
2	Directors participated in education, training courses and seminars for a total of 114 hours in 2023.	Governance (G)	In 2023, a total of 9 directors, including independent directors, participated in courses and seminars, and the total number of hours of training shown on the certificates of completion was added up.
3	In 2023, the total number of education and training hours for employees was 17,269 hours.	Society (S)	The total number of recorded hours of training courses by employees of the entire company in 2023.
4	The amount of approved loans for renewable energy and the environmental production industry reached NTD \$397 million in 2023.	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
5	In 2023 the number of approved loans for electric vehicles, hybrid vehicles, and electric motorcycles reached 22,739 cases, and the amount reached NTD 16.567 billion.	Environment (E)	The total actual loan amount of the installment cases for vehicle type of electric vehicles, electric vehicles and electric motorcycles, with the case approval date in 2023.



Independent Auditors' Limited 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 2023 ESG 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 2023 ESG Report and the respective applicable criteria are stated in the “Summary of Subject Matters Assured” on page 127 of the 2022 ESG Report. The scope of the aforementioned Subject Matter Information is set out in the “Boundary and Scope” on page 5 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.

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.

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.

PricewaterhouseCoopers,Taiwan
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan
T: +886 (2) 2729 666, F: +886 (2) 2729 6686, www.pwc.tw

Independent Auditors' Limited Assurance Report



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.

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.

In accordance with Assurance Standard No. 3000, the procedures for this limited assurance engagement include evaluating the appropriateness of the key performance indicators selected by your company for preparing the sustainability report according to the applicable criteria, assessing the risk of material misstatements in the selected key performance indicators due to fraud or error, responding as necessary to the assessed risks, and evaluating the overall presentation of the selected key performance indicators. The scope of a limited assurance engagement, in terms of the nature and timing of procedures (including understanding internal controls) and responding to assessed risks, is significantly less extensive than that of a reasonable assurance engagement.

We performed on the key performance indicators selected by the Company, as described in the first paragraph, are based on professional judgment. These procedures include inquiries, observation of processes, assessment of the appropriateness of documentation, and verification or reconciliation with relevant records.

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.

Compared to reasonable assurance engagements, the procedures performed in limited assurance engagements vary in nature and timing, and the scope is also less. Consequently, the level of assurance obtained in limited assurance engagements is significantly lower than that obtained in reasonable assurance engagements. Therefore, we, as accountants, cannot express an opinion of reasonable assurance regarding whether the key performance indicators selected by the Company are prepared in all material respects in accordance with the applicable criteria.

We do not provide any assurance on the 2023 ESG Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Independent Auditors' Limited Assurance Report



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 2024

Greenhouse Gas Verification Opinion

Opinion TW24/00273GG



Greenhouse Gas Verification Opinion

The inventory of Greenhouse Gas emissions in year 2023 of

Hotai Finance Co., Ltd.10F., No. 605, Ruiguang Rd., Neihu Dist.,
Taipei City 114698, Taiwan (R.O.C.)has been verified in accordance with ISO 14064-3:2019 as
meeting the requirements of**ISO 14064-1:2018**

Direct emissions

1,440.4349 tonnes of CO₂e

Indirect emissions

1,844.2817 tonnes of CO₂e

Direct emissions and indirect emissions

3,284.717 tonnes of CO₂e

Authorized by

Stephen Pao

Business Assurance Director

Date: 17 May 2024

Version 1

IGP568-15-1 2401

SGS Taiwan Ltd.

No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,
New Taipei City 24803, Taiwan

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This Statement is not valid without the full verification scope, objectives, criteria and findings
available on the Statement.

Page 1 of 10

ESG Report BSI Independent Assurance Opinion Statement



INDEPENDENT ASSURANCE OPINION STATEMENT

2023 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 2023 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 2023 Hotai Finance Corporation ESG Report provides a fair view of the HFC sustainability programmes and performances during 2023. 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 top level 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.
- 5 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).

ESG Report BSI Independent Assurance Opinion Statement

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 ESG 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 auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064, 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



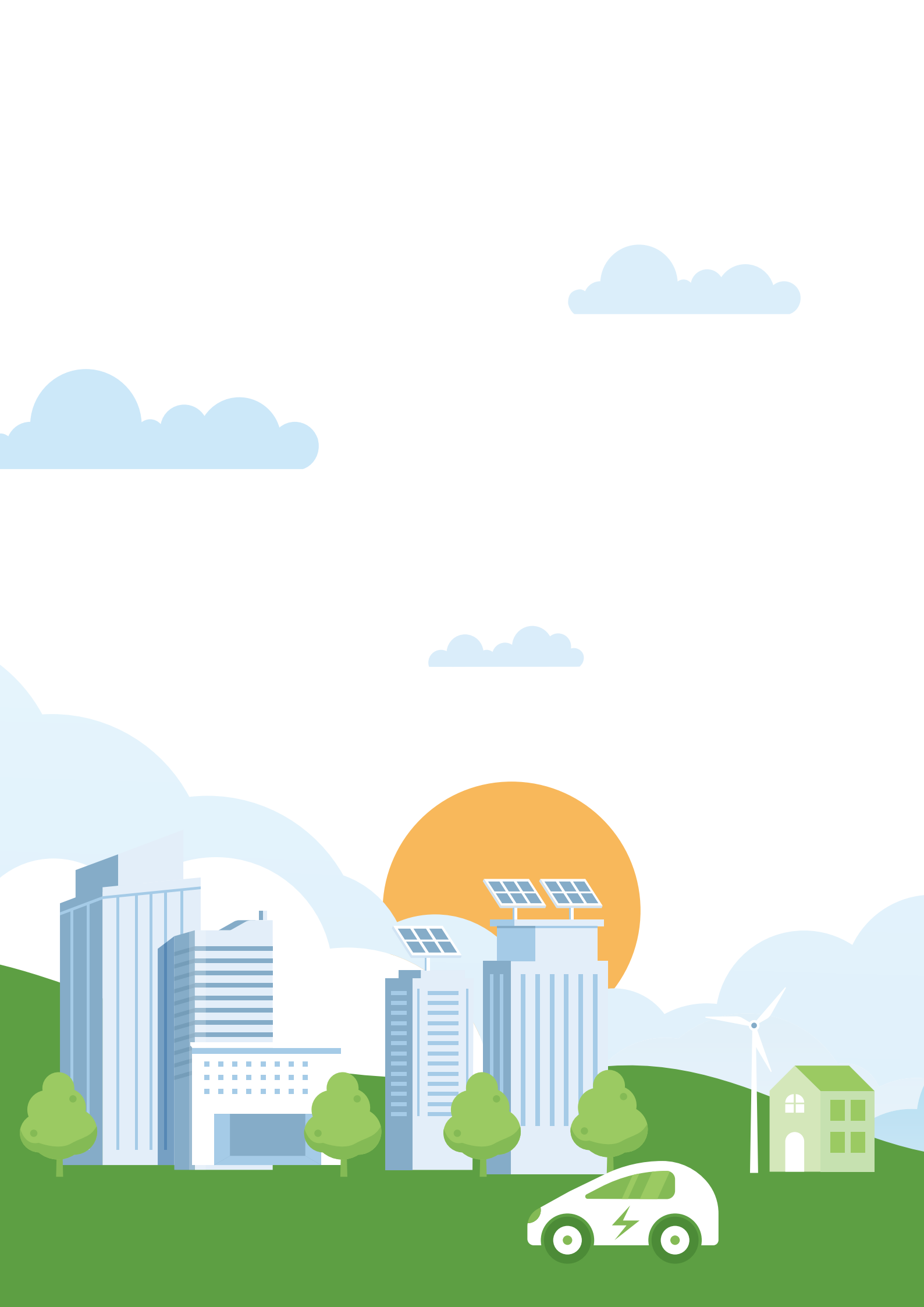
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2024-05-09

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HOTAI FINANCE CORPORATION





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www.hfcfinance.com.tw

