

4.1.2 Responsible investment

Mega Securities is committed to practicing and promoting the spirit of sustainable finance, and has formulated the "Sustainable Finance Policy," "Stewardship Principles," and "Administrative Regulations for Promoting the Development of Sustainable Finance." To implement the responsible investment, and continuously invest in the sustainable development fields (including but not limited to bonds, equity investments, and ESG financial instruments related to green energy, low-carbon, renewable energy, circular economy, and other issues), and support companies with environmental protection, fulfillment of social responsibilities, or sustainable governance to raise sustainable capital (including but is not limited to the issuance of marketable securities related to issues of green energy, sustainable development and fulfillment of social responsibilities) or investments, seeking to achieve the dual goals of promoting sustainable development and guiding private capital to invest in the real economy through investment and fundraising. In addition, we have established the investment evaluation managerial procedures for high sustainability risk enterprises, including companies prohibited from investment, high environmental and social impact industries or counterparties, and high carbon-emission industries, with sustainability ratings.

Responsible Investment Regulations of Mega Securities

Mega Securities has established the "Administrative Regulations for Promoting the Development of Sustainable Finance," stipulating that it is advisable to actively support enterprises with environmental protection or social responsibility as defined in the Management Focuses for ESG Sustainable Development Industries and High-Risk Industries of Mega Group; no investment is allowed in the companies prohibited from investment; the principle for controlling industries or counterparties with high environmental and social impact is not to establish the positions under proprietary trading and underwriting, with the total investment amount less than 30% of the total amount of marketable securities of proprietary trading and underwriting. If positions are required, due diligence shall be conducted, with enhanced analysis for prudential assessment, and the undertaking is only allowed when the assessment results showing no material negative impacts, or taking conditional trading to mitigate impacts, with the elevated approval level. The lists are regularly updated by Mega International Investment, a subsidiary of Mega Securities on the 15th day of each month. To control the high carbon-emission industries, the investment limit is 27% (28% in 2023) of the total amount of positions under proprietary trading and underwriting. Where the desired mid-term and long-term positions belong to high carbon-emission industries, the Bloomberg ESG scores of the target shall be checked to see if lower than the peers; no investment will be made if lower than the peers. If positions are required, due diligence shall be conducted, with enhanced analysis for prudential assessment, and the undertaking is only allowed with the elevated approval level. For the investment cases with high sustainability risks, the principle is also not to establish the mid- and long term positions under proprietary trading and underwriting; if positions are required, due diligence shall be conducted, with enhanced analysis for prudential assessment, and the company's risk responding capability and risk mitigation measures shall be explained in the written report; to achieve the Group's SBT carbon reduction targets, the Company shall engage with investees to encourage them to sign the SBTi, and support investees in engaging in the "forward-looking economic activities able to achieve low-carbon or carbon reduction effects defined in the "Reference Guidelines for Recognition of Sustainable Economic Activities" to enhance their capabilities of net-zero transformation.

Responsible Investment Regulations of Mega Securities

1. Companies prohibited from investing in	<p>(1) Illegal products or activities that violate the laws or regulations of the local country or international conventions and agreements.</p> <p>(2) Products or activities subject to domestic or international bans.</p> <p>(3) These are subject to the sanctions designated by the competent authorities pursuant to the Money Laundering Control Act and the Counter-Terrorism Financing Act.</p> <p>(4) Engaging in the manufacture or trading of drugs, controversial weapons (such as nuclear weapons), illegal weapons and ammunition, illegal gambling (including underground and online), pornography, and gillnetting with net length of more than 2.5 kilometers (inclusive), and commercial lumbering in the pristine rainforests, among other business activities harmful to people and the ecology.</p> <p>(5) If the investee is included in the list of prohibited investment, the investment department shall liquidate the positions within three business days. However, without prejudicing the interest of Mega Securities, the bonds may be held to maturity due to their liquidity.</p>
2. Industries or counterparties with high environmental and social impacts (i.e. enterprise not ideal for investment)	<p>(1) For enterprises violating the ESG principles (not meeting the environmental sustainability screening conditions, social responsibility screening conditions, and corporate governance screening conditions) and without concrete improvement plans, the principle is not to establish proprietary trading positions and underwriting positions. If positions are required, due diligence shall be conducted, with enhanced analysis for prudential assessment, and the undertaking is only allowed when the assessment results showing no material negative impacts, or taking conditional trading to mitigate impacts, with the elevated approval level. If the established position is subsequently deemed not advisable for investment, the Company shall advise or guide the enterprise to make improvements and implement such. If this is not feasible, without prejudicing the interests of Mega Securities, the investment positions are to be exited gradually, or holding the bonds until the maturity by considering the liquidity, as the countermeasure.</p> <p>(2) Positions of industries or counterparties with high environmental and social impact held shall not exceed 30% of the total amount of marketable securities under proprietary trading and underwriting.</p> <p>(3) The industries or counterparties with high environmental and social impact that violate the ESG principles are as follows:</p> <ul style="list-style-type: none"> • These penalized by the competent authority due to involvement of hazardous activities or exploiting labor without improvement. • These penalized by the competent authority due to involvement of environmental pollution, damage to biodiversity, and water and marine resources, among other sustainability incidents without improvement. • These penalized by the competent authority due to violation of ethical corporate management principles without improvement. • Mining and quarrying • Treatment of wild animal leather and fur, and fur trading. • Dyeing and finishing. • Genetic engineering not for healthcare or harmful to human development. • Manufacture of pesticides and environmental medicines. • Chemical products containing heavy metals such as cadmium, mercury, lead, arsenic, and nickel that are harmful to human health. <p>(The list is provided by the subsidiary Mega International Investment on a regular basis.)</p>

3. High carbon-emission industries	<p>(1) The marketable securities under Mega Securities' proprietary trading and underwriting in industries with high carbon emissions shall not exceed 27% (28% in 2023) of the total amount of marketable securities under proprietary trading and underwriting.</p> <p>(2) Where the desired mid-term and long-term positions under proprietary trading or underwriting belong to high carbon-emission industries, the Bloomberg ESG scores of the target shall be checked to see if lower than the peers; no investment will be made if lower than the peers. If positions of high carbon-emission industries are required, due diligence shall be conducted, with enhanced analysis for prudential assessment, and the undertaking is only allowed with the elevated approval level.</p> <p>(Note: The controlled industries in 2023 are: Other Petroleum and Coal Products Manufacturing, Chemical Material Manufacturing, Raw Plastic Material Manufacturing, Cement Manufacturing, Iron and Steel Smelt, and Electric Power Supply.)</p> <p>(3) Referring to the statistics of high carbon-emission domestic enterprises inventoried and registered by the Ministry of Environment, Executive Yuan, and the greenhouse gas-intensive industries subject to carbon tax under the EU Carbon Border Adjustment Mechanism (CBAM). The industries type is based on the Standard Industrial Classification by Directorate General of Budget, Accounting and Statistics, Executive Yuan. The industry types controlled by Mega Securities are as following: 0500 Extraction of Crude Petroleum and Natural Gas, 1500 Pulp, Paper and Paper Products Manufacturing, 1700 Other Petroleum and Coal Products Manufacturing, 1810 Chemical Material Manufacturing, 1841 Raw Plastic Material Manufacturing, and 2331 Cement Manufacturing, 2410 Basic Iron and Steel Manufacturing, 2420 Basic Aluminum Manufacturing, and 3510 Electric Power Supply (excluding renewable energy).</p>
4. Enterprises with high sustainability risk	<p>In addition to the management mechanisms stipulated for the companies prohibited from investing in, industries or counterparties with high environmental and social impact (i.e. industries or counterparties not advisable for investment), and high carbon-emission industries due to the ESG considerations, for the investment cases with high sustainability risks, the principle is also not to establish the mid- and long term positions under proprietary trading and underwriting. If positions are required, due diligence shall be conducted, with enhanced analysis for prudential assessment, and the undertaking is only allowed with the elevated approval level. The said sustainability risk is these belong to sever risk level (i.e., 40 points or higher) of the Sustainalytics ESG Rating disclosed on the Investor Relation Integrated Platform (IR Platform) of Taiwan Clearing House, or these falling in the lowest 20% (i.e., 81% - 100%) in the Corporate Governance Evaluation disclosed on the IR Platform.</p>
5. Industries with environmental protection and social responsibilities	<p>Mega Securities actively supports the following enterprises with environmental protection or social responsibility as defined in the Management Focuses for ESG Sustainable Development Industries and High-Risk Industries of Mega Group:</p> <p>(1) Solar energy, wind power, geothermal energy, hydropower, ocean energy and other energy industries.</p> <p>(2) Transmission, distribution, and energy storage facilities increasing power generation volume, or renewable power generation volume, and use thereof.</p> <p>(3) Transportation means using electric, hydrogen and other fuels alternative to fossil, passenger and freight system conversion and efficiency improvement, public transportation, etc.</p> <p>(4) Smart network of water monitoring and early warning system, water storage, water circulation treatment, flood control and water saving, and other hydraulic infrastructure.</p> <p>(5) Green buildings, building energy-saving systems or products, among other construction businesses.</p> <p>(6) Energy efficiency, reduction of non-energy GHG, and clean production.</p> <p>(7) Waste cleaning and recycling, and pollution control and carbon sequestration.</p> <p>(8) Information and communication technologies such as optical broadband, data centers, and smart grids.</p> <p>(9) Sustainable measures with verifiable carbon reduction benefits, related to agriculture, forestry, fishery, animal husbandry, and aquaculture.</p> <p>(10) Enterprises with an MSCI level AA or higher, selected in the DJSI, ranked in the top 20% in the Corporate Governance Evaluation, and qualified for the Taiwan Sustainability Classification Standards.</p> <p>(11) Other businesses or activities that contribute to reducing carbon emissions, circular economy, and ESG enhancement.</p>

Scope of responsible investment

Subclass code	Subclass name	Amount (NT\$ thousand)	Percentage of investment amount
6411	Monetary Intermediation	11,045,001	33.46%
2611	Semiconductor Manufacturing	3,211,423	9.73%
6491	Other Financial Services	2,146,488	6.50%
4100	Architectural Engineering	1,973,295	5.98%
2711	Computer and Peripheral Equipment Manufacturing	1,620,596	4.91%
6421	Holding	1,107,458	3.35%
6700	Real Estate Development	999,999	3.03%
3510	Power and Gas Supply	900,880	2.73%
2630	Printed Circuit Board Manufacturing	704,447	2.13%
1700	Petroleum and coal products Manufacturing	501,403	1.52%
Total amount of investment in the Top 10 Industries		24,210,989	73.34%
Total		33,013,191	100.00%

Note: Top ten case amounts disclosed based on the industry standard classification and subclass code announced by the Director, Accounting, Statistics, Director, Statistics and Statistics Division, Executive Yuan, and the case amount by industry type.

Investment in sustainable development industries

Mega Securities follows the international sustainable finance initiatives, the relevant governmental policies or regulations such as green finance, inclusive financial, promotion programs for six core strategic industries, net zero emissions by 2050, and the Reference Guidelines for Recognition of Sustainable Economic Activities. For the six core strategic industries, 12 key strategic industries, sustainable economic activities and other sustainability industries under the national development trends, supports are provided, seeking to improve the social security and efficiency of energy and resource utilization by investing capital in the enterprises with environmental

protection, social responsibility, or sustainable governance as supports, while encouraging customers or investees to invest capitals in the sustainable economic activities via engagements, to obtain capital investment or business dealings from Mega Securities. Furthermore, Mega Holdings signed the Science Based Targets initiative (SBTi) commitment in April 2023, promising to set the carbon reduction pathway, to commit that the Group will achieve 39.56% as the percentage of positions set with SBT targets in 2028; the carbon reduction action plan was approved by the SBTi organization in June 2024. To achieve the Group's carbon reduction goals, Mega Securities has planned a carbon reduction action plan and actively invests in companies that have passed the SBT carbon reduction target-setting review for constant engagement, while encouraging and guiding enterprises to formulate sustainable transformation plans and specific action plans through investments in active carbon-reduction programs with the funds owned by Mega Securities.

Investment in the six core strategic industries in 2023

Industry	Description	Investment balance at the end of the year (Unit: NTD thousand)
Information and Digital	Utilize emerging technologies such as 5G, AI, cloud, and Internet of Things(IoT), to improve public's quality of life and other related industries.	1,100,000

Investment in 12 key strategic industries in 2023

Industry	Description	Investment balance at the end of the year (Unit: NTD thousand)
Power system and energy storage	Classified based on Net zero by 2050 for Taiwan - 12 key strategies for transition	16,834
Zero-waste from the resource recycling (Note)	Classified based on Net zero by 2050 for Taiwan - 12 key strategies for transition	91,879
Carbon Capture, sequestration and storage	Classified based on Net zero by 2050 for Taiwan - 12 key strategies for transition	4,763
Green Finance	Green bonds, etc.	3,045,000
Total investments in 12 key strategic industries		3,158,476

Note: All of them are underwriting counseling customers

Status of investment in sustainable industries in 2023 (Note 1)

Industry	Description	Number of investments	Investment balance at the end of the year (Unit: NTD thousand)
Renewable energy (Note 2)	Solar energy, wind power, geothermal energy, hydropower, ocean energy and other energy industries.	2	3,593
Outstanding Sustainability Enterprise	Enterprises with an MSCI level AA or higher, selected in the DJSI, ranked in the top 20% in the Corporate Governance Evaluation.	123	9,537,518
Other businesses or activities that contribute to reducing carbon emissions, circular economy, and ESG enhancement.	Medicare, education, sports and fitness, road engineering, and other social work services, etc.	7	778,059
Total investment in ESG sustainable development industries		132	10,319,170
Balance of total corporate investment (proprietary trading and underwriting positions)			33,013,191
Percentage of ESG sustainability industry investments (%)			31.26%

Note: 1. by industry refers to the enterprises with environmental protection or social responsibilities as defined in the "Administrative Regulations for Promoting the Development of Sustainable Finance of Mega Securities."

Note: 2. These are the forward-looking economic activities in the "Reference Guidelines for Recognition of Sustainable Economic Activities."

Positions held with set SBT carbon reduction targets in 2023

Industry	Number of investments	Investment balance at the end of the year (Unit: NTD thousand)
Balance (market value) of investment positions with set SBT carbon reduction targets	26	1,900,846
The scope of underlying investment type with carbon reduction target to be set as required by SBT (market value) (Note)		20,025,438
Percentage of investment positions with set SBT carbon reduction targets		9.49

Note: The sum of market values of the scope of investment positions with carbon reduction target to be set as required by SBT, including TWSE/TPEx listed shares (including preferred stocks/ETF, excluding emerging stocks, and excluding derivative financial products), funds and bonds (including convertible bonds, excluding government bonds, excluding sustainability bonds)

Assisting SMEs in raising funds

Small and medium-sized enterprises (SMEs) account for more than 98% of all enterprises in Taiwan. In order to assist potential domestic enterprises with continuous upgrades, Mega Securities assisted four SMEs in 2023, namely, Acer Systems, Westact Technology, Biosun International, and Axiata Energy. The enterprise successfully raised funds from the capital market, and the total amount of counseling amounted to NTD 1.627 billion.

Company name	Type	Number of issued shares (shares)	Funds raised in 2023 (NT\$)	Implementation status
Wave Power Technology Inc.	Cash capital increase	3,100,000	395,677,330	Fundraising completed
WASTE RECOVERY TECHNOLOGY INC.	Cash capital increase	3,398,000	433,830,310	Fundraising completed
Bausen Inc	Cash capital increase	3,190,000	245,704,260	Fundraising completed
ATE ENERGY INTERNATIONAL CO. LTD.	Cash capital increase	10,000,000	250,000,000	Fundraising completed
ATE ENERGY INTERNATIONAL CO. LTD.	Convertible corporate bonds	3,000,000	301,500,000	Fundraising completed
Total			1,626,711,900	

Note: According to Question 11 of the Q&A of "Regulations Governing the Preparation and Filing of Sustainability Reports by Securities Firms," "SME" is defined in the latest "White Paper for Small and Medium Enterprises" published by the Small and Medium Enterprise Division; unless otherwise stated, the relevant statistics from 2020 are defined based on the 2023 "Criteria for the Recognizing Small and Medium Enterprises" amended on June 24, 2020: the enterprises with paid-in capital less than NT\$100 million, or the full-time employees are fewer than 200.

Total number, amount underwritten, handling fee income, and distribution by industry for all equity underwriting cases

Industry Category (TICS)	Number of underwriting	Underwriting amount (NT\$ thousand)	Income of service charge (NT\$ thousand)
20 Manufacture of pharmaceuticals and medicinal chemical products	1	1,200	12
21 Rubber Products Manufacturing	1	100,200	57
24 Basic Metal Manufacturing	1	201,000	80

Industry Category (TICS)	Number of underwriting	Underwriting amount (NT\$ thousand)	Income of service charge (NT\$ thousand)
25 Metal Products Manufacturing	2	882,684	4,537
26 Electronics Components Manufacturing	10	649,433	3,723
27 Computers, Electronic and Optical Products Manufacturing	4	431,956	4,280
30 Motor Vehicles and Parts Manufacturing	2	326,400	86
31 Other Transport Equipment and Parts Manufacturing	3	481,677	7,852
33 Other Manufacturing	1	40,000	32
37 Wastewater (Sewage) Treatment	1	305,174	2,976
42 Civil Engineering	2	204,675	4,313
45-46 Wholesale	2	243,492	3,085
50 Water Transportation	2	32,859	120
52 Other Transportation Support	2	22,840	107
56 Catering business	1	170,430	4,200
61 Telecommunications	1	2,445	24
64 Financial Services	1	303,000	75
Full-equity underwriting	37	4,399,465	35,559

Note: Disclose the total number of cases and the total amount of each industry based on the industry standard classification and subclass code announced by the Director, Accounting, Statistics, Director, Statistics and Statistics Division, Executive Yuan, and the case amount by industry type.

ESG Market Making and Transaction Statistics

In 2023, Mega Securities issued a total of 621 warrants on sustainable development-related underlying investments, served as ESG participating broker in two tranches, and 23 high-quality ESG share of market-making.

Product	Quantity	Amount (NT\$ thousand)
Issuance of subscription call warrants	621	3,300,115
ETF participating brokers	2	49,754
Stock market making	23	772,145

4.1.3 Diversified sustainable financial products

Sustainability Bonds

Mega Securities has cooperated with governmental policies in recent years, to underwrite sustainability bonds continuously. In 2023, a total of six tranches of sustainability bonds were underwritten, including four tranches of green bonds, one tranche of social responsibility bonds, and one tranche of sustainable development-linked bonds, with a total underwriting amount of NT\$2.15 billion. We mainly focus on renewable energy and energy technology development, job creation, and programs reducing or avoiding unemployment caused by the socioeconomic crisis. Mega Securities has also invested in a number of sustainability bond products. As of the end of 2023, the balance of investment in related products exceeded NT\$3 billion.

2023 Sustainability Bond Underwriting Status		
Type of bond	Category	Underwriting amount (Unit: NT\$ thousand)
TSMC 112-1, 112-2, Taipower 112-3, 112-6	Green Bonds	1,900,000
FET 112-1	Social Responsibility Bond	150,000
Hon Hai 112-4	Sustainable Development-Linked Bond	100,000
Total		2,150,000

2023 Sustainability Bond Investment Status		
Category	Number of Cases	Investment balance at the end of the year (Unit: NTD thousand)
Green Bonds	7	1,589,579
Social Responsibility Bond	4	329,103
Sustainable Development Bonds	7	1,127,094
Total	18	3,045,776

ESG product development

Currently, all products labeled with ESG provided publicly by Mega Securities are ETN, which shall be approved by Taipei Exchange before trading. There is no greenwashing. As the investment in ESG products becomes a trend, in June 2021, Mega Securities issued the ETN, the "TIP Customized TPEX ESG IT Elite Total Return Index" focuses on two key aspects: the electronics industry and sustainable performance. It selects companies that have strong corporate social responsibility scores, as evaluated by the Corporate Sustainability Association, and that have shown positive average return on equity over the past 12 quarters. From these, the top companies by market capitalization are chosen as index components. The index is designed to filter through market trends, sustainability performance, and operational efficiency, blending market opportunities with future trends to fully implement the principles of ESG. This approach is intended to attract investors to companies that prioritize sustainable operations.

Sustainability ETN issued by Mega Securities in 2023

ETN name	TIP Customized TPEX ESG IT Elite Total Return Index
Date established	June 25, 2021 (maturity: June 24, 2024)
Investment ratio allocation	N/A (the ETN is issued by Mega Securities, not invested)
Investment Objectives and Measurement Standards	It selects companies that have strong corporate social responsibility scores, as evaluated by the Corporate Sustainability Association, and that have shown positive average return on equity over the past 12 quarters. From these, the top companies by market capitalization are chosen as index components.

Affected by global warming, global temperatures continuously reach new highs, and the climate change mitigation has become an urgent issue for countries around the world. Under the trend of net-zero and climate change mitigation, in addition to ESG-integrated products, the sustainability investment markets in the western countries are also shifting towards climate-related products. In an effort to encourage companies to pay closer attention to the impact of climate change on their operations, the Taipei Exchange has collaborated with FactSet to create the "TPEX FactSet Semiconductor Climate Net-Zero Elite Total Return Index", which focuses on climate change issues. The "Mega TPEX FactSet Semiconductor Climate Net-Zero Elite Total Return Index ETN" is linked to this index, making it the first ETN product in Taiwan market to track a climate-themed index. This product is designed to attract investors interested in companies that prioritize climate resilience, contributing to environmental sustainability.

Weather ETN issued by Mega Securities in 2023

Name	Mega TPEX FactSet Semiconductor Climate Net Zero Elite Total Return Index ETN
Date established	December 25, 2023
Investment Objectives and Measurement Standards	TPEX FactSet Semiconductor Climate Net Zero Elite Total Return Index is based on the constituent stocks of the TPEX200 Index and uses the T-Risk calculated by climate model of Entelligen to screen or adjust the weight, to select ten constituent stocks, reflecting constituent companies' resilience to cope with climate change.
Performance	The ETN was listed for trading at the end of 2023, and as of January 2024, the ETN was ranked 24th among the outstanding ETNs. It is clear that the ETN of climate-related issues have caught the attention of investors.