

## **Shin Kong Insurance Stewardship Principles for Institutional Investors - Compliance Statement**

Shin Kong Insurance Co., Ltd. (hereinafter “the Company”) is primarily engaged in the non-life insurance business and acts as an asset owner. The Company hereby declares compliance with the Stewardship Principles for Institutional Investors, and its compliance with each of the seven principles is detailed as follows:

### **Principle 1 Establish and disclose stewardship policies**

#### 1. Stewardship Policy: Key Contents

##### (1) Business Nature and Role in the Investment Chain:

The Company engages in non-life insurance and is considered an asset owner. It invests funds derived from shareholders’ equity and various reserves.

##### (2) Business Overview:

The Company ranks third in market share among non-life insurance providers in Taiwan. It offers products including auto insurance, fire insurance, marine insurance, engineering insurance, liability insurance, and accident & health insurance. Its mission is to be a professional enterprise that creates a win-win-win situation for customers, shareholders, and employees.

##### (3) Safeguarding Customer and Shareholder Rights:

While managing assets, the Company adopts prudent investment strategies to generate returns, evaluates liabilities and risks, and analyzes the asset-liability relationship to ensure sufficient solvency and protect the rights of customers and shareholders.

##### (4) Responsibility to Customers and Shareholders:

The Company adheres to a philosophy of serving customers, generating profits, and achieving sustainable operations to maximize overall benefits for customers and shareholders.

##### (5) Frequency and Methods of Stewardship Activities:

The Company undertakes stewardship actions, such as monitoring investee companies, engaging with management, attending shareholder meetings, and voting. These are performed periodically based on cost-effectiveness and specific topics of concern.

##### (6) Outsourcing of Stewardship Activities and Management Measures:

Based on the scale of investment and cost-effectiveness, the Company handles voting-related matters internally and does not employ proxy research or voting service providers.

(7) Disclosure of Stewardship Activities and Frequency:

The Company discloses the implementation of stewardship practices on its official website regularly.

2. Incorporation of ESG Issues into Investment Evaluation and Use of ESG Indicators

(1) Integration into Investment Analysis:

ESG (Environmental, Social, and Governance) issues have been incorporated into the Company's investment analysis process. Beyond the original investment guidelines, the Company refers to ESG indicators from organizations like the Taiwan Depository & Clearing Corporation (TDCC) and Bloomberg. If such data is unavailable, related statements from the investee company may be used for analysis to fulfill stewardship responsibilities and create long-term investment value.

(2) Extent of ESG Indicator Use:

Due to the lack of a consistent and absolute standard for ESG scoring, the Company currently adopts the following approach for its "domestic listed equity investments." Before making an investment, the Company takes into account the ESG ratings of the investee company provided by various ESG rating agencies (including Taiwan Depository & Clearing Corporation, Bloomberg, CommonWealth Magazine, and other agencies). The investee company must meet at least one ESG evaluation criterion, and its rating score must place it within a certain percentile of the target for each rating agency. Only then can it be considered as meeting the Company's ESG investment requirements. In principle, the investee company must represent a certain percentage (or more) of the Company's "domestic listed equity investments" to satisfy the above standards. Investments that do not meet these standards are subject to portfolio review, and engagement mechanisms may be initiated to fulfill stewardship obligations.

**Principle 2 Establish and disclose policies on managing conflicts of interest**

1. Objectives and Principles:

To ensure that operations are conducted in the interests of customers or shareholders, the Company has established a conflict of interest management policy. The policy is based on principles of good faith and fiduciary duty, prioritizing customer/shareholder

interests, avoiding conflicts, preventing undue gain, and ensuring fairness.

2. Contents of the Conflict Policy:

(1) Actions taken by the Company for private benefit that disadvantage customers or beneficiaries:

- i. Acting against the interests of customers or beneficiaries for the institutional investor's own benefit.
- ii. Favoring specific clients/beneficiaries at the expense of others.
- iii. Violations of "Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties" (e.g., any such transaction must not offer terms more favorable than those for similar counterparties, and must be approved by a board resolution with at least two thirds of directors present and three quarters of them voting in favor).
- iv. Breach of the "Conflict of Interest Prevention Mechanism for Equity Investment Personnel," such as:
  - a. Leaking inside information or trading based on such knowledge.
  - b. Using insurance funds for personal or third-party benefit in securities trades.
  - c. Promoting or predicting the price of individual stocks in public.
  - d. Engaging in activities that harm the insurer's rights or operations.

(2) Conflict Management Measures:

- i. Training and Awareness: Annual compliance training is conducted to enhance employee awareness.
- ii. Delegation of Authority: Investments must follow internal authorization protocols and be reported to senior management.
- iii. Information Control: Access rights are assigned based on roles and are updated promptly upon staff changes.
- iv. Firewalls: Departmental access is restricted based on job responsibilities to maintain confidentiality.
- v. Monitoring Mechanisms: Stakeholder transactions are checked against internal standards. Equity trading personnel must undergo approval and reporting procedures. Internal audits regularly review transaction records.
- vi. Reasonable Compensation: Remuneration is based on experience and market benchmarks in line with internal policies.
- vii. Remedial Measures: For major conflict events harming customer or shareholder interests, the Company explains the cause and handling measures via phone, in writing, or by mutual agreement.

3. Disclosure:

In the event of a significant conflict of interest, the Company will summarize and disclose the incident and its resolution to customers or shareholders.

### **Principle 3 Regularly monitor investee companies**

#### 1. Monitoring Purpose:

To assess the impact of information on the long-term value of investee companies and inform future engagement and investment decisions.

#### 2. Monitoring Focus Areas:

Based on investment purpose, cost, and benefit, the Company may monitor industry outlook, risks, shareholder structure, strategy, operations, financials, stock price, ESG performance, and more.

#### 3. ESG Risk and Opportunity Management:

The company conducts an evaluation and analysis of the target company before making an investment, assessing whether any violations of ESG (Environmental, Social, and Governance) issues or investment opportunities arising from ESG issues exist. These findings are included in the pre-investment evaluation report.

Additionally, we utilize anti-money laundering and anti-terrorist financing systems to query sanction lists and compile industries with negative screening. After the investment, we continue to monitor the invested company. If any violations of the aforementioned ESG issues occur, no new investments will be made, and existing positions will undergo an investment review.

### **Principle 4 Maintain an appropriate dialogue and interaction with investee companies**

#### 1. Purpose of Engagement:

To gain deeper insights into key ESG topics and express viewpoints to investee management to improve corporate governance.

#### 2. Assessment of Engagement Necessity:

- (1) Engagement is considered for domestic listed equity investments that comprise a significant portion of the Company's holdings.
- (2) Engagement methods include written/oral communication with management, public statements, shareholder meeting participation, proposing resolutions, and voting.

#### 3. Collaboration with Other Institutional Investors:

When necessary, the Company may cooperate with other investors or advocacy groups to promote ESG practices and exert greater influence.

#### 4. Post-Engagement Actions:

The Company evaluates the impact of engagement and plans for future dialogue, which informs subsequent investment decisions.

### **Principle 5 Establish and disclose clear voting policies and voting results**

#### 1. Establish and publicly disclose a clear voting policy:

The Company exercises its voting rights to express its opinions on various shareholder meeting proposals of the investee companies, especially proposals that have a significant impact on the interests of customers and shareholders. The Company shall properly exercise the voting rights of its shares.

##### (1) Policy Principles:

- i. Votes are cast based on information about the investee and with consideration of long term interests of customers, shareholders, and the investee.
- ii. Domestic listed company meetings should use e voting; unlisted meetings should be attended in person by Company designated representatives (where feasible).

##### (2) Policy Details Include:

- i. Voting Thresholds: Voting is exercised only when shareholding or monetary thresholds are met, based on cost benefit analysis.
- ii. Pre Voting Review: Proposals should be carefully evaluated; pre meeting dialogue with management may occur when needed.
  - a. Evaluation of Shareholders' Meeting Proposals:  
In accordance with Article 146-9, Paragraph 2 of the Insurance Act, Financial Supervisory Commission (FSC) Letter No. 09702146220, and FSC Insurance and Financial Supervisory Letter No. 10302500070, insurance companies must prepare an explanation of the evaluation and analysis conducted before exercising voting rights at shareholders' meetings of investee companies. After the conclusion of the shareholders' meeting, the company must produce a written record of the "actual execution results of the exercised voting rights" and a "discrepancy analysis," which must be submitted to the most recent board meeting.
  - b. Standards for Communication with Management Before Shareholders'

Meetings:

Considering materiality and cost-benefit principles, in the case of domestic investments where the market value exceeds a certain ratio of the company's available funds, if there are significant proposals such as ESG-related issues that deviate from expectations, communication with management may be initiated before the shareholders' meeting via email or other means.

(3) Types of Proposals Generally Supported, Opposed, or Abstained From:

i. Types of proposals where only abstention is expressed:

In accordance with the Insurance Act, proposals related to the election or replacement of directors and supervisors (to ensure comprehensive prudence, this includes proposals related to non-compete clauses, etc.) and those governed by investment transaction operation regulations shall be abstained from without exception.

ii. Types of proposals generally supported:

a. Amendments to the Articles of Incorporation:

May be acknowledged or supported if not contrary to corporate governance principles.

b. Other proposals legally required to be approved at the shareholders' meeting:

May be acknowledged or supported if not in violation of legal principles.

iii. Types of proposals generally opposed:

Proposals that clearly violate ESG-related principles or otherwise harm the interests of the company.

(4) Statement on Not Absolutely Supporting Proposals by Management:

a. The company declares that it does not absolutely support all proposals submitted by management.

b. Motive and standard for opposition:

Proposals that clearly violate ESG principles or harm the company's interests are deemed unfavorable to the implementation of responsible governance and are, in principle, not supported.

(5) No Current Adoption of Proxy Voting Recommendations from Proxy Advisory Firms

2. Disclosure of Voting Activities:

The Company regularly discloses information regarding its attendance at the shareholders' meetings of investee companies, as well as statistical data on how it exercised its voting rights on various proposals of all investee companies.

**Principle 6 Periodically disclose the status of fulfilment of stewardship responsibilities**

The Company regularly discloses its stewardship activities on its official website, including the following information:

- (1) A statement of compliance with the “Stewardship Principles for Institutional Investors” and explanations for any principles not adopted.
- (2) Information regarding internal resources allocated to stewardship activities and the organizational structure responsible for executing stewardship.
- (3) Statistics on the number of engagements.
- (4) Case descriptions of dialogues and interactions with investee companies, the outcomes of engagements, and follow-up actions.
- (5) Examples of collaborations with other institutional investors.
- (6) Attendance or proxy attendance at investee companies’ shareholders' meetings.
- (7) Voting activities.
- (8) Channels for stakeholders such as clients, beneficiaries, investee companies, or other institutional investors to contact the signatory.
- (9) Other significant matters (e.g., major conflicts of interest that occurred in the past year).

**Principle 7 Service providers should provide services for institutional investors to fulfill their stewardship responsibilities**

The Company does not act in the capacity of a stewardship service provider; therefore, this principle is not applicable.

**Signatory:Shin Kong Insurance Co., Ltd.**

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