

Bank SinoPac Co., Ltd.

Stewardship Policy

Formulation Unit: Risk Management

Division Approval Level: Board of Directors

- Not formulated in accordance with external regulations
- Formulated in accordance with external regulations

Chapter 1. General Principles

Article 1. Purpose

In order to ensure the overall interests of the Bank's fund providers (including clients, beneficiaries, and all shareholders of the Bank), in addition to continuing to pay attention to the operating conditions of investees, the Bank participates in investees' corporate governance by attending their shareholders' meetings, exercising voting rights, engaging in dialogue and interaction with investees' directors or managers, to promote their sustainable development. Therefore, the Policy has been formulated with reference to the Stewardship Principles for Institutional Investors announced by the Taiwan Stock Exchange Corporation (TWSE).

Article 2. Matters regulated by the Policy, such as those added or amended because of relevant external laws and regulations, shall be handled in accordance with added or amended external provisions before the Policy is amended accordingly.

Article 3. Goal and Scope

In accordance with the Stewardship Principles for Institutional Investors, the Bank considers the purpose as well as cost and benefit of investment, and determines the type, degree, frequency, and implementation method of stewardship actions.

The Bank's main business activities are those stipulated in the Banking Act of the Republic of China and approved by the central competent authority. When investing with its own funds, or acting as a trustee with the power to decide on the use of trust assets or acting as a director or supervisor of an investee, the Bank will take stewardship actions while considering the environment, society, corporate governance, and other corporate sustainability factors to increase the value of investment, with the aim of enhancing the overall interests of the Bank's fund providers.

As the scope of investment expands, the scope of stewardship shall be extended from stocks to other types of assets, such as bonds, real estate, Private Equity Fund, and alternative investments, depending on the importance of investment.

Chapter 2. Matters by Which the Bank is Regulated

Section 1. Stewardship Actions

Article 4. Principle and Basis of Management

To implement sound internal management and properly safeguard the interests of the Bank's fund providers, the Bank shall conduct business in compliance with the principles of duty of loyalty, integrity, diligence, prudent management, and professionalism, and has also formulated the Staff Service Guidelines and relevant business management regulations in accordance with the Banking Act of the Republic of China and other relevant laws and regulations, with the content covering the responsibilities to the Bank's fund providers, and the person in charge and the staff of the Bank shall all comply with them.

Article 5. Investees' Issues Under Continuous Focus

To ensure that sufficient and effective investment decision-making information is obtained, the Bank continues to pay attention to investees' issues, including their relevant news, financial performance, overall situation in the industry, medium and long-term business strategy, major environmental protection actions, social responsibility, labor rights, and corporate governance issues, to lay a solid foundation for investment decision-making.

Article 6. Appropriate Dialogue and Interaction with Investees

Through appropriate dialogue and interaction with investees, such as teleconferences, face-to-face meetings, participation in investor conferences, regular shareholders' meetings, or extraordinary shareholders' meetings, the Bank communicates with investees' management or management department to further understand the management's countermeasures against the risks faced by the industry and to strive to reach a consensus on long-term value creation with the investees.

When necessary, the Bank will work with other institutional investors to safeguard the rights and interests of its clients or beneficiaries and enhance investees' sustainable development, while participating in relevant advocacy organizations for specific environmental, social, or corporate governance issues to jointly expand and exert the influence of the Bank.

Article 7. Inclusion of ESG Assessment in Investment Evaluation Process

The Bank's securities investment conducted in accordance with Article 74-1 of the Banking Act of the Republic of China and investment business in accordance with Article 74 of the Banking Act of the Republic of China shall include the environmental, social and governance (ESG) assessment in the investment process

and adopt the relevant indicators below:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Prohibit any investment in controversial industries (such as pornography and controversial arms and weapons); prudently evaluate the investment in sensitive industries (such as gaming, food safety concerns, harmful radioactive substances, non-medical or harmful genetic engineering, non-bound asbestos fiber, and polychlorinated biphenyl manufacturing).
3. Continue to pay attention to and regularly review whether investees appropriately disclose or provide their information on ESG issues.

Section 2. Conflict of Interest Management

Article 8. Principles of Conflict of Interest Management

The Bank shall uphold the duty of care and loyalty as a good administrator in the management of various types of conflicts of interest in line with the principles of prioritizing clients' interests, avoiding conflicts of interest, prohibiting improper gains, and fair dealing.

The person in charge and staff of the Bank shall not only pay attention to their legal liabilities but comply with the relevant regulations on the maintenance of the Bank's reputation and the safety and efficiency of business operations. The Bank shall also be obliged to educate its staff to understand and comply with relevant regulations.

Article 9. Specific Requirements for Conflict of Interest Management

The Bank's specific requirements for conflict of interest management include:

1. The Bank shall not make decisions or take action unfavorable to clients, beneficiaries, or stakeholders for the benefits of the Bank itself or stakeholders.
2. The Bank shall not make decisions or take action unfavorable to other clients for the benefits of specific clients.
3. Personal trading of the person in charge, staff, and related parties of the Bank shall be strictly subject to relevant laws and regulations and the Staff Service Guidelines of the Bank.

Article 10. Approaches to Conflict of Interest Management

The Bank's approaches to conflict of interest management include:

1. The operations and management of the Bank shall comply with the restrictions and regulations of the laws. The person in charge and staff of the Bank shall understand and be subject to the Banking Act of the Republic of China and the Bank's relevant internal regulations. The Bank also organizes employee training on a regular basis, including pre-service training, on-the-job training, and continuous awareness raising of laws.

2. The Bank's staff shall not engage in any acts of loaning of funds, major asset transactions, guarantee provision, or other transactions that conflict with the Bank's interests in the name of themselves or others. Where the Bank's directors and managers consider that they are not able to deal with situations in an objective manner or a manner favorable to the Bank or that relevant transactions in which they are involved are likely to lead to conflicts of interest, they shall take the initiative to report, and deal with or avoid them in a lawful and appropriate manner.
3. Reasonable remuneration system: The Bank shall establish a reasonable remuneration system. The performance appraisal standards and remuneration system for managers and business personnel shall be based on the considerations for the Bank's long-term and shareholder's interest and the said personnel shall not be guided to engage in behaviors that exceed the Bank's risk appetite; meanwhile, financial and non-financial indicators shall be considered and regular review conducted to ensure compliance with the Bank's long-term business development policy.

Section 3. Voting Policy and Engagement

Article 11. Purpose of Formulation of the Policy

Based on the best interests of fund providers, the Bank refers to the Stewardship Principles for Institutional Investors of TWSE and the Standard Operation Procedure and Directions for Control of "Internal Decision-making Process of Shareholders Meetings Attended by Securities Firms Holding the Companies' Shares and Appointment of Persons to Exercise the Voting Right," to actively exercise its voting rights at shareholders' meetings.

Article 12. Voting Policy

The Bank's voting rights at shareholders' meetings of an investee may be exercised in writing or electronically in accordance with Article 177-1 of the Company Act for the best interests of the Bank and its shareholders. Unless otherwise stipulated in laws, the Bank shall not directly or indirectly participate in the investee's operation or engage in improper affairs.

The Bank may not attend the shareholders' meeting of an investee (domestic publicly listed company) whose shares held by the Bank for less than one year or whose shares held by the Bank does not exceed 3% of the total shares issued by the investee.

Where the Bank receives a shareholders' meeting notice from an investee, the responsible unit shall handle the relevant operating procedures, such as appointment of attendees and the exercise of voting rights, in due course and keep the materials

for reference. The relevant materials shall be kept for at least three years.

For investees that adopt electronic voting for their shareholders' meetings, except for the requirement for appointing personnel to attend on-site for business needs, the Bank shall exercise voting rights electronically.

Article 13. Types of Proposals for Support, Objection, or Abstention

In principle, the Bank supports proposals made by the board of directors or candidates for directors and supervisors of the companies whose shareholding percentage meets the standards specified in Article 26 of the Securities and Exchange Act, but may not absolutely support proposals made by the management.

Specific principles are as follows:

1. Principle of support: Proposals made and corporate financial reports submitted by the companies ranking among top 5% in the annual corporate governance evaluation.
2. Principle of objection: Proposals that violate major climate-related issues.
3. Principle of objection or abstention: Where the management of the company has conducted business in unsound operations, which is likely to damage the rights and interests of the company or its shareholders, or the company is imposed with penalties by relevant competent authorities for violation of sustainable development principles in the aspects of environment, society, and corporate governance and other material circumstances.

Article 14. Engagement

When an investee has a material violation of corporate governance principles or may damage the long-term value of the Bank and its shareholders on certain issues, the Bank will inquire the investee's management about the handling situation from time to time and does not rule out the possibility of jointly putting forth appeals with other investors.

The Bank may engage in dialogue or interaction with investees in the following methods:

1. Communicate with the management in writing, by e-mail or phone, or verbally;
2. Express opinions at shareholders' meetings;
3. Submit motions at shareholders' meetings;
4. Cast votes at shareholders' meetings.

Section 4. Performance and Disclosure

Article 15. Disclosure of Stewardship

The Bank discloses the implementation of stewardship on the official website every year and reviews it on an annual basis, with the contents including:

1. Compliance statement and explanation of non-compliance;
2. Attendance and voting at the shareholders' meetings of investees, and other material matters, such as types of proposals objected to and reasons for objection and voting by proxy. The exercise of voting rights at shareholders' meetings of

investees (support, objection, or abstention) may be disclosed in a summary or listed in an appropriate manner.

3. Contact channels for stakeholders, such as clients, beneficiaries, investees, or other institutional investors;
4. Engagement summary report;
5. Material conflicts of interest, reasons, and response methods.

Chapter 3. Supplementary Provisions

Article 16. Matters not specified in the Policy shall be governed by relevant laws and regulations.

Article 17. The Policy shall be reviewed every year for amendment or update based on actual business needs or changes in laws and regulations.

Article 18. The Policy shall be implemented upon approval of the Board of Directors; the same procedure shall apply to any amendment.

Approved at the 12th meeting of the 10th Board of Directors on September 25, 2020