

SKFH 2023 Compensation Report of the President and Senior Executives

I. Compensation and Share Holding Policy of the President and Senior Executives

SKFH has established the Remuneration Committee with Independent Directors of SKFH serve as its members. The main task of the Committee is to assist the Board of Directors in the establishment and regularly reviews of the policies, systems, standards and structures of the performance evaluation and remuneration of Directors and the President.

To implement corporate governance effectively and to establish a sound remuneration system for the Company's directors and senior executives, ensuring transparency, rationality, and systematization of remuneration, the Company has formulated the "Guidelines for Remuneration of Directors and Senior Executives" approved by the Remuneration Committee and the Board of Directors to serve as the basis for relevant remuneration policies.

II. Connecting Financial Performance to Long-Term and Short-Term Bonus

To link performance with rewards and to create long-term value for the Company, shareholders, and employees while establishing a connection between bonuses and future risks, the Company has formulated the "Annual Performance Bonus Distribution Guidelines for Senior Executives," the "Implementation Rules for Senior Executives' Stock Ownership Trust," and the "Long-Term Incentive Bonus Distribution Guidelines for Senior Executives" to serve as the basis for both short-term and long-term remuneration for senior executives.

(I) Annual Performance Bonus

The budget for annual performance bonus is based on net profits (40%) and the increase in shareholders' equity (60%), and it shall be adjusted by referring to the achievement of the Company's annual performance targets set in line with its operational development strategy, and then paid depending on individual's performance. The annual performance targets are considered from both financial and non-financial perspectives. The 2023 targets are as follows:

Dimension		Indicators	Weight	Achievement Rate in 2023
Financial Indicators	Financial Metrics	Company business performance (including revenue and ROE)	50%	88%
	Relative Financial Metrics	Ranking of subsidiaries' ROE in the industry		
Non-financial Indicators		Effectiveness of customer relationship management/Fair customer treatment initiatives	50%	106%
		Digital platform management and Digital transformation effectiveness		
		Effectiveness of information security initiatives		
		Effectiveness of corporate governance (such as legal compliance and internal audit/control effectiveness, corporate governance evaluation)		
		ESG ranking and effectiveness of sustainability projects (retention rate for outstanding talent, sustainable finance indicators, joining SBTi, high carbon emissions engagement ratio, development of financial inclusion products and services, corporate volunteer hours, etc.)		

(II) Stock ownership trust

The Company fully and proportionally allocate funds to subsidize senior executives to participate in the stock ownership trust plan. In addition, individuals may choose to acquire the Company's shares by means of trust within a certain percentage of the annual performance bonus, and the Company shall allocate the shares to be acquired fully based on individual's deposit amount.

(III) Long-term incentive bonus

Budgeting for the long-term incentive bonus is based on after-tax net profit (40%) and the increase in shareholders' equity (60%), and the amount of the bonus is differentiated based on individual performance. The Company sets unlocking conditions, a claw back mechanism included, in accordance with its long-term development strategy, as well as standards for individual shareholding requirements.

1. The Company's unlocking conditions

The longest time vesting period of long-term incentive bonus is 3 years. The unlocked amount is adjusted synchronously with the growth rate of the three-year total shareholder return (TSR), and is issued in cash based on the achievement of the Company's unlocking conditions, individual performance, individual shareholding, and proportion of service period. The unlocking conditions for granting long-term incentive bonus during the waiting period from FY2023 to FY2025 are as follow: the ranking of the total shareholder return (TSR) relative to other life insurance financial holding companies for the years 2023 to 2025 (50%), ESG ranking and effectiveness of sustainability projects (10%), achievement rate of digital platform management and digital transformation effectiveness each year (10%), achievement rate of capital adequacy ratio indicators each year (10%), and ranking of annual average after-tax ROE relative to other life insurance financial holding companies (20%).

2. Individual shareholding requirements

The unlocking conditions for "individual shareholding" for senior executives in the Company are as follows: the individual shareholding unlocking ratio is calculated by taking the average monthly number of common shares of the Company held by the individual in the senior executive and employee stock ownership trust during the final year of the waiting period, and dividing it by the individual target shareholding, with a maximum ratio of 100%.

The target numbers of shares for senior executives are as follows:

Position	Individual target shareholding	Converted from stock market value to compensation multiplier
President	2 million shares	Approximate 2 times
Senior Executives	300,000 shares	Approximate 1 time

3. Claw back mechanisms

To effectively implement the remuneration management mechanism, in the event that the President and senior executives commit serious violations of the employment contract or the company's rules, gross negligence, causing significant losses to the company, or being fined by competent authorities, the Company may, after determination of facts, cancel all or part of the long-term incentive bonus granted, or request the return of the long-term incentive bonus already paid.

III. Compensation for President and Senior Executives in 2023

- (I) The table below shows the salary structure of the Company's President in the most recent year, with deferred compensation in the form of stocks accounting for 46.2% of the total.

Fixed Compensation	Percentage of total compensation: 63.5%
Variable Compensation	Percentage of total compensation: 36.5%
a. Cash rewards	Percentage of variable compensation: 53.8%
b. Stock rewards	Percentage of variable compensation: 46.2%

- (II) Ratio of President's Remuneration to Employee Remuneration: In 2023, the annual total remuneration of the highest-paid individual, the President, in the Company is 12 times the median annual total remuneration of other employees (excluding the highest-paid individual) and 10 times the average annual total remuneration of other employees within the organization.

Total CEO Compensation in 2023 (annualized based on tenure)	NT\$11,357,660	
Compensation of full-time non-managerial employees in 2023	Median Employee Compensation	Mean Employee Compensation
	NT\$946,719	NT\$1,146,391
The ratio between the total annual compensation of the President and the mean or median compensation of full-time non-managerial employees in 2023 ^{Note}	12	10

Note: The President assumed the position in 2023, and the ratio of his remuneration to employee remuneration is calculated on an annualized basis.

- (III) Shareholding ratio for President and Senior Executives in 2023

Position	Name(s)	Multiple of base salary
Presidents (Chief Executive Officers) owning shares	Stephen Chen (President of SKFH), Min-Yi Huang, Bruce Lee, Fred C. F. Chang (Presidents of 3 main subsidiaries)	2.0
Average across other executive committee members owning shares	Judy Lin, Chi-Yao Lu, Shiou-Yu Chang, Kuei-Houng Tsai, Kuo-Ping Lin, Hung-Chieh Chang, Wayne Chang	1.5

Note1: The share price NT\$8.85 is based on the closing price on 2023/12/29.

Note2: Preferred stock price is calculated based on the average of Preferred Stock A and Preferred Stock B at NT\$28.65.