



新光金控

Shin Kong Financial Holding Co., Ltd.

# 2023 ESG INSIGHT REPORT

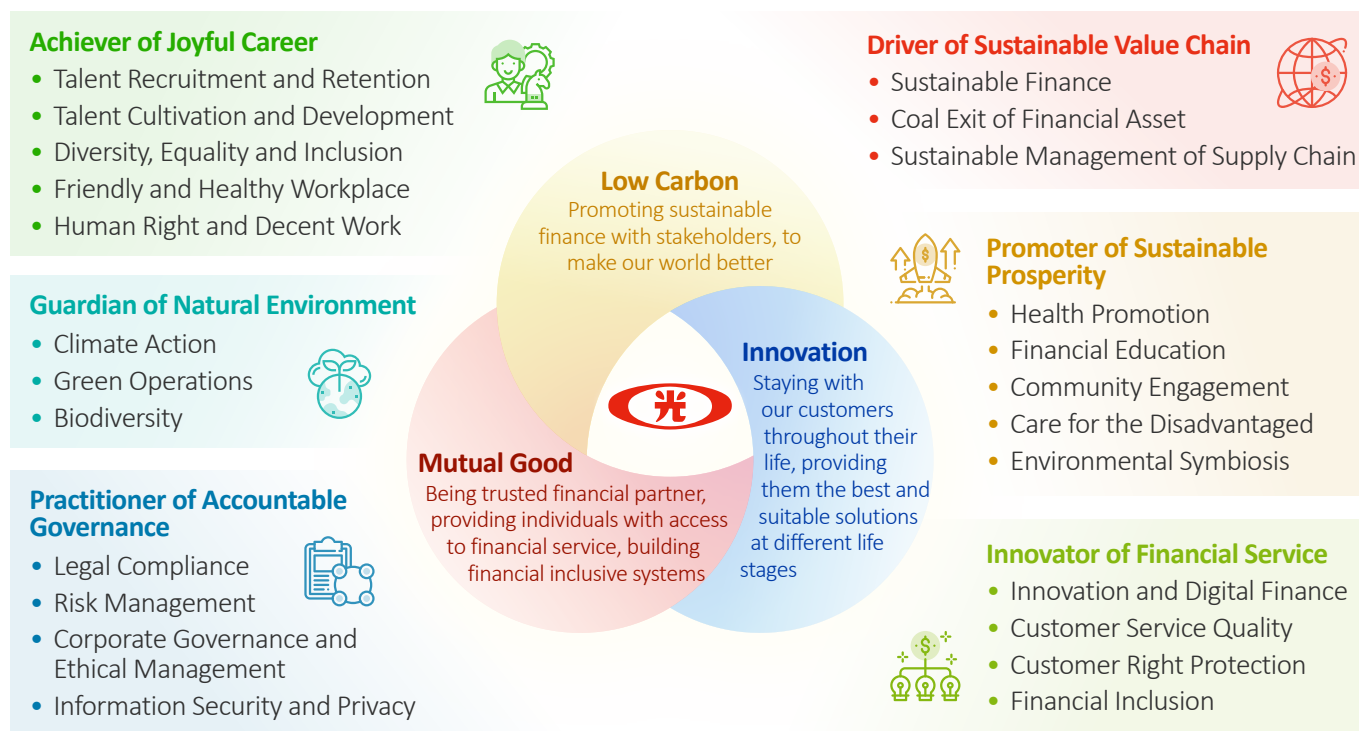




# SKFH 2023 ESG INSIGHT

## Three Core Sustainable Values, Six Strategic Dimensions

SKFH aspires to provide environmentally, socially, and customer-friendly financial products at all stages of life while adhering to the United Nations Sustainable Development Goals (SDGs), and achieving “low carbon, innovation, and common good” sustainable values with stakeholders.



## Sustainability Initiatives

**CDP**

Management level rating in the Carbon Disclosure Project (CDP) for climate change.

**SBTi**

SCIENCE BASED TARGETS  
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Joined SBTi in December 2022 and passed its verification in February 2024.

**Bloomberg Gender Equality Index**

Included in 2023 Bloomberg Gender Equality Index.

**Dow Jones Sustainability Indices**

Member of Dow Jones Sustainability Indices  
Powered by the S&P Global CSA

Constituent of Dow Jones Sustainability World Index (third consecutive year).  
First in Asia and second globally in the insurance category in 2023.  
Constituent of Dow Jones Sustainability Emerging Markets Index.  
Top 5% of the industry, S&P Global Sustainability Yearbook.

**TNFD**

Member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum (one of the first Early Adopters among financial institutions).

**TANZE**

Green-Level Label from Taiwan Alliance for Net Zero Emission.

# ENVIRONMENTAL



SKFH aims to build a green workplace environment, and strive to improve energy efficiency, reduce energy and resource consumption through voluntary action measures and improvement plans, and cooperate with our customers and supplier partners to jointly fulfill our environmentally friendly responsibilities.

**SKFH and its subsidiaries were not subject to any monetary or non-monetary fines that violate environmental regulations in 2023.**

## Environmental Management Systems

Certification		Scope
ISO 14001	Environmental Management System	Shin Kong Bank Xinsheng South Building, MLS Dunnan Tower
ISO 14046	Water Footprint Verification	Shin Kong Life Tower
ISO 14064-1:2018	GHG Inventory	SKFH and its subsidiaries
ISO 14067	Carbon Footprint Verification	SKB Liou jia Branch, New Taipei City service counter
ISO 50001	Energy Management System	Shin Kong Life Tower, Shin Kong Bank Xinsheng South Building, MLS Dunnan Tower
ISO 20400	Sustainable Procurement Guidance	Shin Kong Bank
PAS 2060	Carbon Neutrality	Shin Kong Bank (zero-carbon credit cards)

## Environmental Sustainability Achievement & Goals

### Sustainable Finance



#### Shin Kong Bank

#### 2023 Achievement

- The growth rate of sustainable lending amount was 50%, NT\$17.19 billion.  
*Achieved 2023 goal of 10%*
- Solar power plant project lending balance reached NT\$3 billion, increasing NT\$0.1 billion by base year.  
*Strive to achieve 2024 goal of NT\$4 billion*
- The growth rate of sustainable investment amount was 5.9%.  
*Achieved 2023 goal of 3%*

#### Short Term Goals (2024)

- The growth rate of sustainable investment amount is 3%.
- The growth rate of sustainable lending amount is 20%, NT\$13.8 billion.
- Solar power plant project lending balance reaches NT\$4 billion.
- Two ESG net-zero transition customer briefing session to promote green lending.

#### Mid- and Long-term Goals (before 2030)

- The growth rate of sustainable investment amount is 4%.
- The growth rate of sustainable lending amount is 80%, NT\$20.5 billion.
- ESG net-zero transition customer briefing session to promote green lending.



**2023 Achievement**

- The five-year CAGR for securities investment that meets the PRI was 3.8%.

*Maintain to achieve 2024 goal of 3% (five-year CAGR)*

- Based on base year(2020), the growth rate of investment amount in green energy-related businesses was 354%, NT\$ 0.46 billion.

*On track to achieve 2024 goal of 400%*

**Short Term Goals (2024)**

- A five-year CAGR of 3% for securities investment that meets the PRI.
- Based on base year, the growth rate of investment amount in green energy related businesses is 400%.

**Mid- and Long-term Goals (before 2030)**

- Continuously seek investments in ESG-theme with potential profit and impact.

**Climate Action**



**Net Zero Emissions Plan**

**2023 Achievement**

- Scope 1 and Scope 2 carbon emissions reduced by 8.98% compared to 2022.

*Achieved 2023 goal of 4.2% reduction*

- Scope 3 carbon emissions reduced by 8.75% compared to 2022.

*Achieved 2023 goal of 4.2% reduction*

**Short Term Goals (2024)**

- Scope 1 and Scope 2 carbon emissions reduced by 8.4% compared to 2022.

**Mid- and Long-term Goals (before 2030)**

- Headquarters and main Office locations to achieve net zero by 2030.
- By 2030, Scope 1 and Scope 2 carbon emissions to decrease by 42% compared to 2022 (SBTs).
- By 2030, Scope 3 carbon emissions decrease by 42% compared to 2022, with a specific reduction of 20% in emissions from fuel and energy-related activities.



**Financial Decarbonization**

**2023 Achievement**

- Established net-zero emissions and financial decarbonization goals, completed carbon reduction path plans for 15 investment and lending portfolios in SBT Scope 1, Scope 2, and Scope 3 categories and submitted them for review; related goals were reviewed and approved in February 2024.

*Achieved 2023 goal of joining SBTi*

**Short Term Goals (2024)**

- To achieve a ratio of 30% of investment and lending engagement.
- Emission intensity (kg CO<sup>2</sup>e/MWh) for newly contracted power generation industry corporate loans lower than the 2030 emissions intensity target (314.7kgCO<sup>2</sup>e/MWh).
- Emission intensity (kg CO<sup>2</sup>e/MWh) for newly contracted power plant project loans lower than the 2030 emissions intensity target (178.9kgCO<sup>2</sup>e/MWh).
- Emission intensity (kg CO<sup>2</sup>e/m<sup>2</sup>) decreased by 13.8% for commercial real estate loans.

**Mid- and Long-term Goals (before 2030)**

**By 2027**

- Percentage of listed stocks and bonds achieving SBTs reaches 50.3%.
- Percentage of fossil fuel, service/commercial building, and other long-term loans achieving SBTs reaches 31.6%.

**By 2030**

- Emission intensity (kg CO<sup>2</sup>e/MWh) decreased by 40.8% for power generation industry corporate loans.
- Emission intensity (kg CO<sup>2</sup>e/MWh) decreased by 52.1% for power plant project financing.
- Emission intensity (kg CO<sup>2</sup>e/m<sup>2</sup>) decreased by 49.8% for commercial real estate loans reduction of 20% in emissions from fuel and energy-related activities.



## Low-Carbon Operation

### Resource Consumption Note1

#### 2023 Achievement

- Per capita waste generation decreased by 56.54% compared to the base year  
*Achieved 2023 goal of 8% reduction*
- Total water consumption increased by 9% compared to the base year. Note2  
*Did not achieve 2023 goal of 8% reduction*
- Overall electricity consumption (including green electricity procurement of 940.95 MWh and self-generated (12.520 MWh) reduced by 6.54%.  
*Achieved 2023 goal of 4.2% reduction*
- Has obtained 7 labels for green buildings and 2 pending labels for green buildings.

Note1: For 2023 indicators, the base year for water consumption and waste generation is 2019, while the base year for other reduction targets is 2022.  
Note2: Increase in water usage was attributed to additional rented floor space; the implementation of water-intensive fire drills; and some old equipment that was not repaired in a timely manner.

#### Short Term Goals (2024)

- Cumulative reduction in general electricity consumption by 8.4% (including green electricity procurement compared to 2022).
- Cumulative reduction in total water consumption and per capita waste generation by 10% compared to 2022.

#### Mid- and Long-term Goals (before 2030)

- By 2025, total water consumption and per capita waste generation to decrease by 12% compared to 2019.
- Continuously acquire green building certifications.
- Scope 2 carbon emissions decreased by 42% compared to the base year of 2022 by 2030.

## Climate-related Sustainability Policies

In 2022, the SKFH board approved initiatives to incorporate climate-related risks into SKFH risk management measures. SKFH revised the "Sustainable Financial Policy" and "Risk Management Policy" and incorporated climate risk management and implementation guidelines into them. The "SKFH Sustainable Finance Policy" has been formulated adhering to the United Nations PRI, PRB, PSI, and EPs.

### Risk Management Policy

- Incorporation of climate-related risks into the Company's risk management.
- Incorporation of natural-related risks into the Company's risk management.



### Sustainable Finance Policy

- In the investment, lending, and life insurance decision-making processes of SKFH and its subsidiaries, ESG factors should be included. Through the analysis of public and non-public information, careful evaluation of the comprehensive ESG performance of counterparties should be conducted as an important consideration for transactions. Environmental factors, particularly climate change, biodiversity, and environmental pollution issues, should be emphasized.
- For industries with high carbon emissions, such as thermal coal and unconventional oil and gas, the negative impact of climate change on counterparties should be carefully reviewed. For the abovementioned industries, after inspection, those included in the exclusion list shall not be allowed to add new transactions without any improvement.

## Climate Risk Management

Apart from complying with PRI and EP, SKFH has established high carbon-intensive industry management guidelines to help the investment and lending department of the subsidiaries to manage climate risks. The content defines the scope of high carbon-intensive industries and high climate-risk industries, investment and lending exposure limits, monitoring frequency, and early warning mechanisms. The applicable business scope includes all new and existing investments, corporate loans, and project finance.

## Management Scope and Mechanisms of High Carbon-intensive Industries

### Restricted High Carbon-intensive Industries

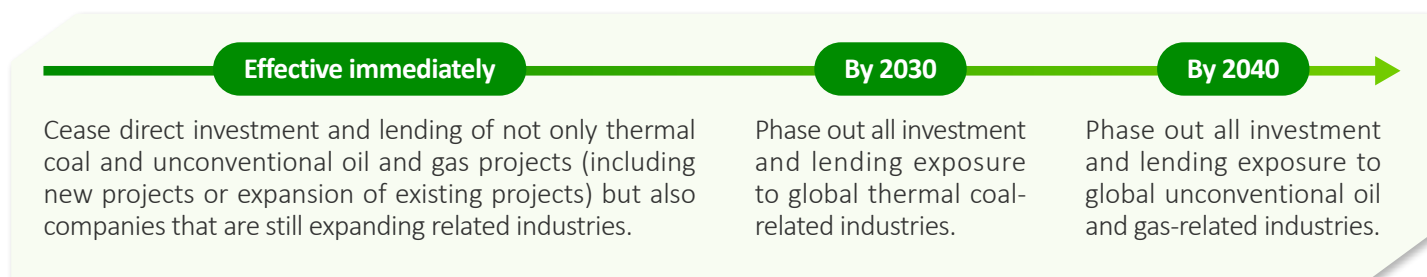
- Thermal coal and Unconventional Oil and Gas industries.
- Oil & Gas, Electric (and Coal Power) Utilities, Steel, Chemical, Construction Materials, Transportation & Logistics, and Metal Manufacturing.

### Management Mechanisms

- Before the business unit conducts investment and lending activities, for high carbon-intensive industries, such as thermal coal, unconventional oil and gas, etc., the negative effects on climate change of the counterparties shall be carefully reviewed. The counterparties shall be encouraged to adopt related measures to reduce climate-related risks.
- New transactions may decline for the high carbon-intensive industries in the exclusion lists until their improvements have been approved. In addition, the counterparties in thermal coal and unconventional oil and gas industries are reviewed every year. If the counterparty's revenue from thermal coal or unconventional oil and gas exceeds 50% of its total revenue, then engagement shall be conducted following the SKFH's Engagement Policy.
- Set the exposure limits of investments and lending portfolios in high carbon-intensive industries and monitor them monthly.

### Phase-out Commitment for Thermal Coal and Unconventional Oil and Gas-related Industries

SKFH and its subsidiaries commit to phasing out all exposure to thermal coal-related industries by 2030 and unconventional oil and gas-related industries by 2040. As of the end of 2023, SKFH's exposure to tar sands and shale oil and gas-related businesses accounted for approximately 0.33% and 0.001% of total assets respectively.



### Scenario Analysis and Financial Impact

SKFH conducts climate scenario analysis across different operational value chains. For full details of scenario analysis, please refer to pages 82 – 91 of the SKFH 2023 Sustainability Report.

Scope of Analysis	Value Chain	Scenarios
<b>Physical risk - Acute risk and chronic risks</b>		
SKL	Organization	Operational sites
	Downstream	Investment properties, real estate collateral
SKB	Organization	Operational sites
	Downstream	Borrowers, investees, real estate collateral
MLS	Organization	Operational sites
	Downstream	Companies given guidance on underwriting services, investees
SKFH and its subsidiaries	Upstream	Suppliers
<b>Transition risks - Policy and legal risks</b>		
SKL	Downstream	Investment and lending portfolios
SKB	Downstream	Investment and lending portfolios
MLS	Downstream	Companies given guidance on underwriting services, investees
SKFH and its subsidiaries	Upstream	Suppliers
		RCP 2.6, RCP 8.5
		RCP4.5, RCP 6.0, RCP 8.5
		NGFS-Current Policies Delayed Transition Net Zero 2050

## Sustainable Finance

SKFH has formulated the "SKFH Sustainable Finance Policy" adhering to the United Nations PRI, PRB, PSI, and Eps, and regulates SKFH and its subsidiaries' lending activities.

Subsidiaries' investment, lending, life insurance, and asset management adheres to key principles:

Themes	Subsidiary	Principles
<b>ESG</b> <b>Environment</b> <ul style="list-style-type: none"> <li>Climate change</li> <li>Biodiversity</li> <li>Environmental pollution</li> </ul>	SKL, SKB, MLS, SKIT, SKVC	<ul style="list-style-type: none"> <li>Principles for Responsible Investment</li> </ul>
<b>Social</b> <ul style="list-style-type: none"> <li>Human rights</li> <li>Diversity</li> <li>Equity, Inclusion</li> </ul>	SKB	<ul style="list-style-type: none"> <li>Principles for Responsible Banking</li> <li>Equator Principles</li> </ul>
<b>Governance</b> <ul style="list-style-type: none"> <li>Ethical corporate management best practice</li> <li>Board performance</li> </ul>	SKL	<ul style="list-style-type: none"> <li>Principles for Sustainable Insurance</li> </ul>
Climate Change		
Nature Capital		

*The sustainable finance policy covers 100% of the total managed assets of all applicable responsible investment and responsible lending, totals about NT\$4.3 trillion.*

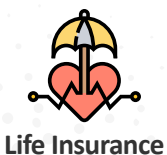
### Asset Class Specific Guidelines



- For listed companies, domestic or foreign, refer to their international ESG ratings or domestic corporate governance evaluation ratings. If the rating falls below the threshold, evaluate cautiously or refrain from new investments.
- For real estate projects, consider the environmental and social sustainability, prioritize those promoting local community welfare and economic development, using sustainable building materials, or being awarded green building certifications.
- If counterparties have ESG risk violations and show no improvement plans after engagements, divestment should be considered.



- For borrower companies in controversial or carbon-intensive industries, prioritize engagements to guide improvement. Results of engagements should be incorporated into the overall credit assessment.
- If borrower companies fail to improve or the situation worsens, gradual divestment or terminate credit relationships if necessary.
- If the lending is used to promote sustainable development goals, preferential loan terms may be offered.



- Incorporate ESG factors into daily operations such as life insurance decision-making, claims management, risk management, product and service development, sales and promotion, and underwriting policies.
- Work with the government, insurance regulators, and stakeholders to promote ESG practices and regularly disclose compliance progress in PSI to ensure transparency.

## Exclusion Lists

If the counterparties fitting the following exclusion criteria, they shall not be dealt with:



Sex industry



Narcotics industry



Controversial arms industry



Countries or regions with serious deficiencies in combating money laundering and financing of terrorism

## Sector Specific Guidelines

### Controversial Industries

ESG risk due diligence is prudently assessed in accordance with sector specific guidelines. Only those who meet guideline specifications can be considered for business dealings.



Tobacco industry



Gambling industry



Tropical rainforest logging



Fur trading

### Carbon-intensive Industries

ESG risk due diligence and prudent assessment on counterparties' climate change risks and negative impacts on climate change is conducted in accordance with sector specific guidelines; along with international standards and emissions performance. Based on the results, SKFH and its subsidiaries could actively take engagement actions and promote mitigation measures.



Thermal coal and unconventional oil and gas

## Responsible Lending

SKB formulated the "Sustainable Lending Policy", incorporating ESG factors into the credit checking and lending approval process. SKB invested in building the "Green Lending," "Sustainability Performance-Linked Lending," and "Equator Principles Lending" sections in its e-loan system, allowing for regular tracking of sustainable lending performance and the submitting the information to the Joint Credit Information Center in Taiwan.

The Sustainable Lending Policy requires that ESG factors be incorporated into the credit checking and lending approval processes. Post-loan tracking follows SKB adheres to the "Management Regulations of Lending Review and Tracking" and the "Lending Review Procedures", for its routine and ad-hoc tracking and management activities to maintain a good credit asset quality.

## Promotion of Sustainability-linked Loans

SKB links credit conditions to enterprises' comprehensive performance in areas such as environment, society, and corporate governance, to encourage enterprises to invest more actively in resources to achieve promised "sustainable performance indicators." During the loan period, meeting these indicators qualifies them for more favorable financial services.

**ESG-linked Loans** *Unit: NT\$100 mn*

2022	2023
61.6	91.8

### Case: PHIHONG Technology Co., Ltd and Subsidiary Zerova Technologies Taiwan Limited

Total fundraising amount of NT\$3 billion and links indicator such as the total greenhouse gas emissions, water usage intensity, and corporate governance evaluation of the parent company, PHIHONG Technology. If indicators such as greenhouse gas emissions reduction and water conservation are met, the interest rate is reduced to encourage the borrower to achieve sustainable performance.



# SOCIAL



## Social Achievement & Goals

### Talent Employee Engagement Recruitment and Retention (2023)

- Achieved 93.7% retention rate for outstanding talent. *Maintains short, mid-, and long-term goal of 90%*
- Employee engagement 68%.

#### Short Term Goals (2024)

- Maintain a 90% retention rate for outstanding talent.
- Complete at least one strategic human resources management and development plan.
- Optimize at least one existing employee support program.

#### Mid- and Long-term Goals (by 2027)

- Maintain an over 90% retention rate for outstanding talent.
- Conduct an engagement survey every two years and gradually improve employee engagement.

### Talent Cultivation and Development (2023)

- 96.18 hours average training hours per employee. *On track towards 100-hour goal for 2024*
- 83% replacement rate for internal vacancy. *2024 goal of 60% achieved ahead of schedule*

#### Short Term Goals (2024)

- Average training hours per employee: 100 hours.
- Replacement rate for internal vacancy: 60%.
- Completion rate of the Group's sustainability talent training courses: 90%.

#### Mid- and Long-term Goals (before 2030)

- Continue to promote talent mobility within the Group to accelerate cross-resource integration.
- Provide corresponding training according to business strategies to maximize effectiveness.
- Cultivate sustainable finance talents to align with global sustainability trends.

### Friendly and Healthy Workplace (2023)

- FR and SR were both 0. *Reached targets*
- Employee health check-up rate 78.07%. *2024 goal of 70% achieved ahead of schedule*
- 100% completion rate of general health and safety training.

#### Short Term Goals (2024)

- Achieve a health check-up rate of over 70% for employees.
- FR and SR  $\leq$  the recent three-year average.
- Completion rate of general health and safety training  $\geq$  90%.

#### Mid- and Long-term Goals (before 2030)

- Enhance employee participation in health promotion activities, a total of 535 activities will be held between 2024-2030.
- Maintain the validity of OHS certifications such as ISO45001 and TOSHMAS.

### Equality, Diversity and Inclusion (2023)

- Percentage of female executives in SKFH and its subsidiaries: 27.3% *On track for 2024 goals for SKFH and subsidiaries*

#### Short Term Goals (2024)

- Increase the percentage of female executives:  
SKFH 38%, SKB 30%, SKIT 45%  
SKL 23%, MLS 33%,

#### Mid- and Long-term Goals (before 2030)

- By 2025, the overall percentage of female senior management positions in SKFH and its subsidiaries: 30%.
- Reduce gender pay gap at all levels.



### Human Rights and Decent Work (2023)

- There were a total of 3 cases of sexual harassment and 2 cases of workplace violence, and the relevant violators were disciplined according to personnel regulations.
- All employees have completed 100% education and training related to legal compliance and human rights policy.

#### Short Term Goals (2024)

- Diversity and inclusion indicators (workplace discrimination, sexual harassment, and workplace violence cases): 0.
- Abnormal attendance management indicators meet legal standards.

#### Mid- and Long-term Goals (before 2030)

- Establish group-level diversity and inclusion indicators and attendance management indicator.



### Supply Chain Management (2023)

- The signing rate of the Supplier ESG Commitment Letter reached 100% for the number of newly contracted and negotiated suppliers.  
*Maintain to achieve 2024 target*
- For 69 major suppliers, all of whom signed the Supplier ESG Commitment Letter. For high-risk suppliers, SKFH completed on-site audits.
- The green procurement accounts for 40.28% of the total procurement amount (~300% compared with 2022).  
*Exceeded 15% target*
- Revised the "Supplier Management Regulations".

#### Short Term Goals (2024)

- Annual amount of green procurement accounts for 15% of the total eligible green procurement items.
- Continuously implement supplier management for the newly contracted and negotiated suppliers, with 100% signing of the Supplier ESG Commitment Letter.
- Completed the supplier risk assessment and on-site audits.

#### Mid- and Long-term Goals (before 2030)

- Increase the proportion of green procurement for each subsidiary.
- Organize the supplier conference every three years, and continuously promote the supply chain management to increase the sustainable performance.



### Innovation of Digital Finance (2023)

- SKFH: Number of SKFH digital accounts: over 3 million  
*On track towards 3.2-million goal for 2024*
- SKL: Life insurance e-application ratio: 96.7%  
*Exceeded 95% target*
- MLS: Digital transaction ratio in securities achieved 83.3%  
*On track towards 83.5% for 2024*
- SKB: Digital transaction ratio in banking: 89.4%  
*Exceeded 88% target*

#### Short Term Goals (2024)

- SKFH: Digital accounts > 3.2 million
- SKL: Maintain E-application ratio: 95%
- SKB: Digital transaction ratio > 88%
- MLS: Digital transaction ratio > 83.5%

#### Mid- and Long-term Goals

2027	2030
• SKFH: > 3.8 million	• SKFH: > 4.4 million
• SKL: Maintain > 95%	• SKL: Maintain > 95%
• SKB: > 89%	• SKB: > 90%
• MLS: > 85%	• MLS: > 88%





## Financial Inclusion (2023)

- Develop SKL's GO Inclusive Term Life Insurance, SKB's OU Wealth Investment, MLS' Digital API and Virtual Transactions Platform, digital financial services for the small capitalist community, savings and products and services designed for the disadvantaged, remote areas and young people.

### Short Term Goals (2024)

- Our main subsidiaries will at least develop or optimize at least one inclusive financial product or service each year.

### Mid- and Long-term Goals (before 2030)

- In medium term, enhance non-financial support and diversify activities to expand the target demographic of inclusive finance, thus maximizing the financial impact.
- In long term, collaborate with various industries to jointly build a sustainable ecosystem for mutual benefits, becoming a benchmark for financial friendliness within the industry.

## Workforce & Remuneration

SKFH provides an equal and inclusive workplace. Employees are recruited and paid without regard to race/ethnicity, class, language, ideology, religion, political stance, national origin, gender, sexual orientation, age, marital status, appearance, physical condition, and trade union stance.

### Observe and comply with key conventions and regulations



Employment Service Act



United Nations Guiding Principles on Business and Human Rights



Gender Equality in Employment Act



International conventions on human rights



Labor Standards Act



..and other governmental labor laws

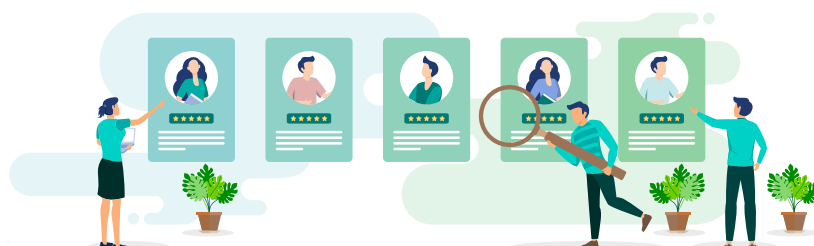
## Workforce Overview

Category	2021	2022	2023
Official employees (Full-time employees)	16,139	15,469	15,058
Unofficial employees	113	46	99
Workers who are not employees	4,063	3,940	3,511
Total (All workers)	20,315	19,455	18,668

Note: Unofficial employees include temporary workers, part-time employees, student workers, and interns, workers who are not employees include commission only sales representatives and contractor personnel.

## Employee Turnover Rate

	Unit	2019	2020	2021	2022	2023
Total turnover	%	10.7	10	11	11.6	12.7
	person	905	843	927	986	1,049
Voluntary turnover	%	8.9	8.3	8.7	9.7	10.9
	person	753	699	737	825	897



## Workforce Diversity

	Unit	2019	2020	2021	2022	2023
<b>Females:</b>						
Percentage of full-time employees		72.5	72.1	71.9	71.6	72.0
In management positions		45.1	55.9	55.3	54.5	54.4
In junior management positions		56.8	64.1	63.0	61.8	61.1
In senior management positions	%	21.9	24.5	24.2	26.2	27.3
Managers in revenue generation departments		62.5	60.6	59.6	58.1	54.6
In STEM departments		40.0	39.4	41.1	40.8	40.7
<b>Disabled Employees:</b>						
Percentage of full-time employees	%	1.2	1.2	1.2	1.2	1.2
Over-employment of employees		17.1	27.6	20.8	25.0	20.8
<b>Indigenous Representation:</b>						
Percentage of full-time employees	%	1.0	1.0	1.1	1.1	1.0
Over-employment of employees		46.4	49.5	59.8	72.0	59.8
Employment incentives	NT\$Mn	9.53	10.15	12.0	11.58	10.6

## Gender Pay Equality

Proportion of Remuneration of Females:Males (Fixed, Fixed & Variable remuneration)

	Unit	2021		2022		2023	
		Fixed	& Variable	Fixed	& Variable	Fixed	& Variable
Senior-level managers		97	107	95.8	96.5	96.9	93.2
Managers level	%	84	98	85.8	101.00	96.20	94.50
Non-managers		87	88	87.4	86.6	94.6	95.3

## Talent Cultivation and Career Development

SKFH provides four key training strategies:



### Learning of Successful Experience

- SKFH has established internal lecturer management measures. SKL and SKB have over 300 full-time and part-time lecturers combined.
- “Post Retirement Re-employment Program” encourages retirees to be re-employed to serve in positions at time of retirement. For 2023, 134 retirees were re-employed.



### Encourage Self-directed Learning and Innovation

- Incentives are provided to individuals with successfully adopted proposals that are implemented by the Company. As of 2023, SKL and SKB have adopted 24 and 107 proposals respectively, with 60 already implemented.
- Digital learning platform "CommonWealth Leader Campus" encourages employees to engage in self-directed learning, with incentives and rewards towards professional certification. In 2023, over NT\$30 million in professional certification incentives and one-time bonuses were awarded.



### Professional Competency Development through Learning Road Maps

- Learning Road Maps are designed for various job functions, guiding the planning of training courses accordingly. Roadmaps are tailored to skills in various stages of their roles. Supervisors are tasked with monitoring of progress.



### Improvement of Trainings for New Employees

- Comprehensive cultivation plans are developed for both internal and sales newcomers. Course content includes company orientation, product business, financial regulations, organizational systems, corporate sustainability, human rights, information security regulations, and financial-friendly service measures.
- Comprehensive navigator system, with dedicated counselors and mentors leading new employees.

## ESG Training



SKFH group-wide and specialized sustainability training sessions focusing on "Net Zero Carbon Emissions" and "Green Finance" issues.



Both SKL and MLS have achieved 100% employee coverage in foundational sustainability education and training courses.



MLS provides training based on international ESG standards and policies to all employees.



SKL has incorporated ESG and DEI as mandatory training for all employees, with workshops for key employees on sustainable project communication and SROI empowerment.



20 employees from SKFH and its subsidiaries obtained the Sustainability Management Specialist Certification organized by Taiwan Institute for Sustainable Energy.

## 2023 Employee Training Hours and Costs

	Unit	2021	2022	2023
Average Training Hours	Hour	80.60	74.42	98.06
Average Training Costs	NT\$	13,972	6,923	6,320

## Management Succession Planning

SKFH values the succession of management to create a succession echelon, select and cultivate main business executives through scientific management tools to achieve the sustainable development of talent pool.

### SKFH

#### High-Potential Talent Reporting and Development Plan

- The first-level supervisors and high-potential candidates jointly discussed and established an Individual Development Plan (IDP).
- Multiple suitable candidates evaluated and a balanced composition with gender diversity was considered.
- The planned succession rate for the management team in 2023 was 58%.

### SKL

#### Leadership Development Plan

- Selected employees with potential attend overseas seminars and conferences to expand their international perspectives and enhance competitiveness.
- Seminars or course themes on issues such as leadership, strategy development, and team communication. Including case studies of successful companies.
- Heads of units are responsible for cultivating talents and establishing independent learning mechanisms and inspection mechanisms.
- From 2011 to 2023, a total of 922 office employees have been trained and 278 of them have been promoted, with a promotion rate of 30.2%.
- A total of 184 office employees were nominated, 38 of them promoted, with a promotion rate of 20.7%.

#### Leadership Pipeline Development for Sales Personnel

- Laid the foundation for cross-generation talent development with a solid leadership curriculum.
- From 2011 to 2023, a total of 922 office employees have been trained within the pipeline, of which 278 were promoted (promotion rate of 30%); out of 422 trained sales agents, 195 have been promoted (promotion rate of 46%).

**SKB**

*MA Personnel Training*

- Implementation of the Management Associate (MA) recruitment and training program include personal development plan, coaching guidance, and the corporate mentor system. As of 2023, 133 MA candidates have graduated from training.
- Continue to implement the wealth management specialist expansion plan through deposit and remittance training, product knowledge, and sales skills. Since 2015, nine rounds of the program have been organized and it has trained more than 252 outstanding talents.

*Building a Leadership Pipeline*

- Training program (1st edition, since 2007) for manager trainees since 2007, and a total of 235 trainees have participated in the program. Among them, 86 trainees have been promoted to branch supervisor or deputy supervisor positions. For the 2nd edition program started in 2019, the first tier of trainees for branch manager have completed, with a promotion rate of 24.14%.
- In the third quarter of 2023, the selection and cultivation of head office block and department-level management associates were launched. A total of 65 key talents (including 40 successor candidates and 25 high-potential talents) were selected, coached and mentored by senior executives of the head office. The unified training for management skills and the establishment of IDP are scheduled in 2024.

**MLS**

*Management Development Training*

- The "2023 Commonwealth Leader Campus- Dual Career Training Program" was promoted, targeting mid-to-senior-level executives and potential junior-level employees. The program encompassed digital marketing, performance techniques and language skills. The overall task completion rate for this program is 93.2%.
- An initiative has been launched to foster consensus and establish strategic performance and vision for 2024. This initiative involves convening high-level business executives and advisors for a "Manager Consensus Camp." The camp also invites scholars from the sustainable development industry, academia, and government to deliver seminars on "Challenges and Responses of Enterprises under the Trend of Net Zero Sustainability."

**Employee Satisfaction**

SKFH commissioned a third party to conduct anonymous employee engagement survey to understand employees' recognition of the company and their suggestions. The survey is conducted once every two years, and scope includes all employees at SKFH and its subsidiaries:

Year	Unit	2019 - 2020	2021 - 2022	2023
Overall Engagement		75	73	68
Response rate	%	88	95	88

**Employee Stock Ownership Trust**

The employee stock ownership trust was set up in 2023 to take care of the employees' life and enhance the Company's business performance. SKFH subsidizes employees and senior executives to participate in the employee stock ownership trust plan. All full-time employees with at least 1-year tenure are eligible. In 2023, a total of NT\$136 million was subsidized for the employee stock ownership trust.

**Human Rights Policy**

To protect the basic human rights of employees, SKFH complies with the "Universal Declaration of Human Rights", the "UN Guiding Principles on Business & Human Rights", the "UN Global Compact", the "ILO Declaration on Fundamental Principles and Rights at Work" and abide by local laws and regulations in Taiwan.



SKFH Human Rights Policy



The SKFH Human Rights Policy provides details for three main target groups and requires them to jointly follow the principals of the policy:

### Employees



- Protection of employees' health and safety
- Support on freedom of association
- Ensure the right to collective bargaining
- Prohibition of forced labor
- Implementation of fair treatment and equal remuneration
- Non-discrimination and anti-harassment

### Suppliers



- Decent work (no child or forced labor, on human trafficking, safeguard employee rights, non-discrimination, safety & health)
- Freedom of association
- Environmental protection
- Corporate ethics

### Business Partners



- Customer's rights and interests
- Protection of personal privacy
- Responsible investment and credit

### Human Rights Education

In 2023, SKFH and its subsidiaries held a total of 134 human rights-related education training sessions amounting to 59,294 employee participation (scope covers all employees). Topics include:



Human rights commitments (anti-discrimination, anti-bullying, anti-harassment)



Protection of CRPD (The Convention on the Rights of Persons with Disabilities)



DEI workplace culture



Workplace stress adjustment and emotional management



Business secrets and whistleblower protection



Prevention of sexual harassment at the workplace



Consumer protection



Prevention of workplace violence

### Freedom of Association

SKL values communication between labor unions and encourages employees to join and protects their freedom of association. Employees have established labor unions in Taipei City, New Taipei City, Hsinchu City, Nantou County, Yunlin County, Kaohsiung City and other regions. Labor-management meetings are held quarterly, and no collective bargaining agreements have been signed.

	Unit	2021	2022	2023
Number of people in the unions	Person	854	854	665
Percent participation	%	8	8.7	7

### Access to Finance

SKFH and its subsidiaries utilize both financial and non-financial support means to integrate resources and technology from the financial inclusion ecosystem while collaborating with external organizations to promote financial inclusion development.

*In 2023, 4,029 individuals benefited from these programs, with a total loan amount of NT\$18.9 billion.*

Moreover, we organize digital and financial literacy courses to enhance customers' financial knowledge and skills, reducing urban-rural and digital divides while improving service quality and customer satisfaction.

**376,000 financial inclusion products have been offered in 2023 and brought NT\$235.55 billion in business benefits to enterprises.**

## Financial Inclusion Metrics

The cumulative financial inclusion product benefits are as follows:

	Unit	2022 Benefits		2023 Benefits	
		Commercial	Social	Commercial	Social
All Products	Total Business Benefits (billion) / Total number of pieces	194.97	273,453	235.55	375,829

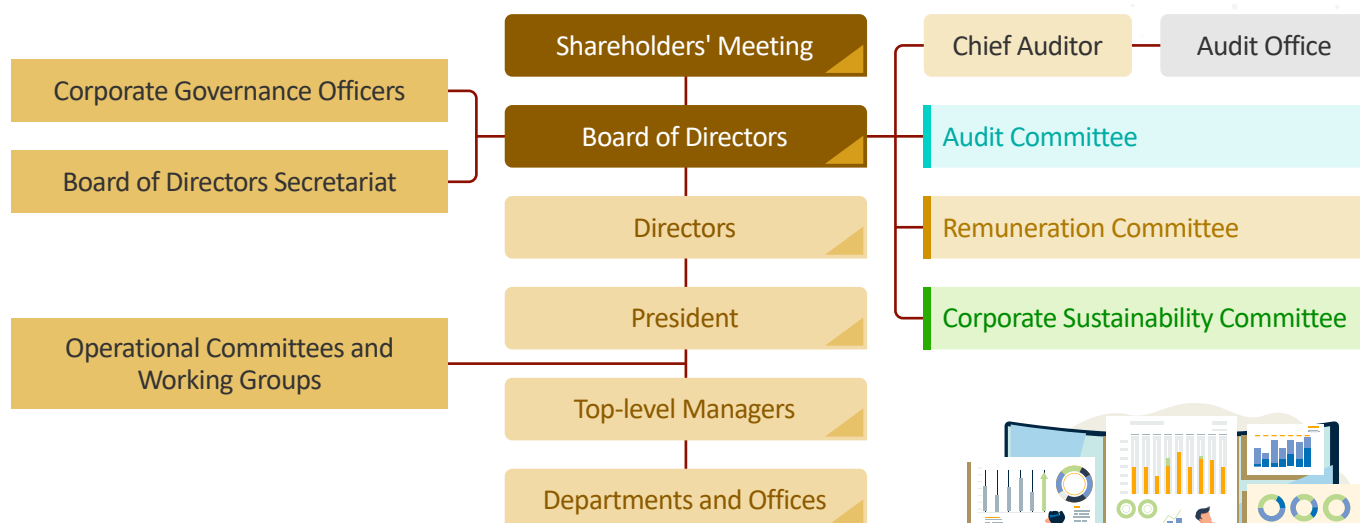
The cumulative financial inclusion product benefits are as follows:

Products and Services	Unit	2022 Benefits		2023 Benefits	
		Commercial	Social	Commercial	Social
<b>Middle- or Low-income Households and Disadvantaged Social Groups</b>					
Microinsurance	Premium income (million) / Number of policyholders	9.26	46,863	12.44	88,048
"Light of Hope" Family Support Credit Loan	Loan amount (million) / Number of loans	29.02	90	28.71	86
<b>Residents in Remote Areas</b>					
Online insurance		12.63	21,393	13.19	32,581
"Light Speed Insurance" remote insurance application	Premium income (million) / Number of policies	0.48	146	0.24	21
OU Wealth Investment	Number of projects	Newly Launched in 2023			29,206
<b>Elderly People and People with Disabilities</b>					
Long-term care products		249.67	9,834	213.13	7,351
Retirement planning products	Premium income (million) / Number of policies	6.06	6,804	17.60	20,443
Small-amount whole life insurance		139.28	5,010	124.45	3,963
<b>Support Youth Group</b>					
Youth Easy Loan	Loan amount (billion) / Number of loans	15.81	2,632	15.90	2,608
Small-scale Wealth Management Dollar-Cost Averaging for Stock Investing		2.16	123,262	2.61	122,179
Digital API	Transaction amount (billion) / Number of projects	Newly Launched in 2023		6.24	22,359
Spillover-effect products		1.37	52,622	0.81	40,104
Housing Subsidies Project	Project amount (million) / Number of policies	957.81	620	851.70	585
<b>Small and Medium-sized Enterprise (SME), Microbusinesses and Community Development</b>					
SME loans		163.96	3,875	181.69	4,916
Microbusinesses Loans	Loan balance (million) / Number of loan	137.86	272	2,971.85	1,335
Loans for reconstruction of urban unsafe and old buildings		4.08	30	6.48	44



# GOVERNANCE

## Corporate Governance Framework



## Board of Directors

SKFH Board of Directors comprises 15 members, including 3 independent directors. The average tenure of directors serving on the board is 5.6 years. The Chairman of the Board does not hold any other executive position within the management team.

*All directors have less than 4 outside concurrent board positions, and have an average attendance rate of 94%*

Title	Name	Gender	Functional Committees <sup>Note1</sup>			Attendance (%)
			Audit <sup>Note3</sup>	Rem. <sup>Note3</sup>	CS	
Chairman	Hwai-Chou Chen <sup>Note2</sup>	M				100%
Vice Chairman	Tung-Ming Wu	M				100%
Director	Olivia Wu	F				90%
Director	Tseng-Chang Lee	M				90%
Director	Michael Hung	M				100%
Director	Hui-Min Lai	F				90%
Director	Tun-Jen Lin	M				80%
Director	Mark Wei <sup>Note2</sup>	M				100%
Director	Benson Wu	M				100%
Director	Hsin-Chang Wu	M				100%
Director	Hsin-Ta Wu	M				100%
Director	Shih-Mei Lin	F				100%
Director	Chun-Hong Chen	M				80%
INED	Min-Chiu Chien	F	● 89%	● 83%	100%	100%
INED	Edgar Y. Chen	M	100%	100%	● 100%	100%
INED	Yung-Ming Shiu	M	100%	100%	100%	100%

Note1: Rem.- Remuneration Committee; CS- Corporate Sustainability Committee.

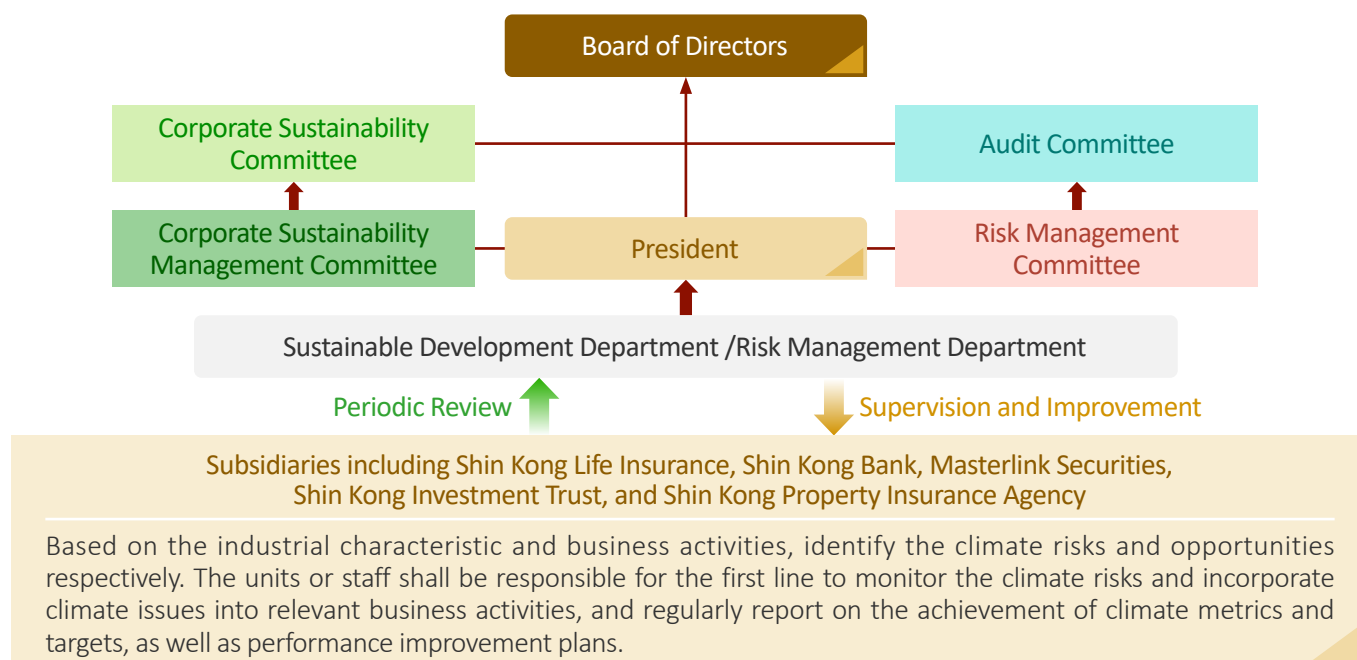
Note2: Chairman Hwai-Chou Chen resigned June 28, 2024 due to personal health reasons, and the Chairmanship is replaced by Mark Wei on July 1, 2024.

Note3: Term of Remuneration Committee is from June 21, 2023 to June 8, 2026. Term of the Audit Committee calculated from June 9, 2023 to June 8, 2026.

## Corporate Sustainability Committee

To implement climate and natural risk management, SKFH founded the Corporate Sustainability Management Committee under the Corporate Sustainability Committee to jointly manage the Group's climate and nature-related response strategies and risk opportunities with the Risk Management Committee. The Committee reports regularly to the Board of Directors.

Regular assessments are conducted to manage the potential financial impact of climate and nature-related risks and opportunities on company operations to protect shareholder values. The structure is outlined as follows:



## Risk Management Committee

The Company established Risk Management Committee to implement risk control business and establishes a dedicated Risk Management Department to oversee the risk control of the Group. The Board of Directors of the Company is the highest decision-making unit of risk management, which undertakes the final accountability of risk management operation.

Overall risk assessment reports are submitted to the Audit Committee and the Board of Directors on a quarterly basis, enabling top management to understand the risks facing the Company and make decisions accordingly.

## President & Executive Compensation

Annual performance indicators are set according to the Company's operating and development strategies, and the indicators are classified into financial ones and non-financial ones.

Contents of Indicators	Link to Material Issues	2023 Achievement Rate	Proportion
<b>Financial indicators</b>			
<b>Business performance</b> (such as financial revenue, business value, net worth, proprietary/brokerage/underwriting performance, deposits/financial management trust/scale of funds, investment/fund/commission performance, ROE, breakeven rate, hedging costs, employee productivity, management fees/income from handling fees)	Business Performance	88%	50%
<b>Risk and capital adequacy ratio</b> (NPL Ratio, CAR/RBC/BIS)	Risk Management		



*For four consecutive years, no information security penalties/violations/breaches/leakages occurred in SKFH and its subsidiaries.*


Certification		Scope
ISO 27001	Information Security Management	SKL, SKB, MLS

SKFH improves staff’s awareness of information security by providing regular education and training courses and conducting daily advocacy and drills, and we also offer professional or functional trainings to information security personnel and adopt external protection mechanisms. For 2023, the completion rate of training and passing the test has reached 100%.


### Data Privacy

To ensure the proper protection of customer privacy rights, SKFH and its subsidiaries comply with the Personal Data Protection Act and have established the group-wide "Personal Data Management Policy", which applies to all employees and their suppliers. The collection, processing, utilization, and protection of customer personal data by SKFH and its subsidiaries within the scope of legal requirements are mandated. SKFH also requires each subsidiary to inform customers of the purpose, categories, and rights associated with the use of their personal data (such as opting out, opting in, accessing, obtaining copies, supplementing or correcting, and deleting), as well as the duration of data usage, personal data protection policy, and third-party disclosure policy.

**Internal Policies**



SKFH  
Personal Data  
Management  
Policy



Guideline of SKFH  
and Its Subsidiaries  
to Privacy Protection  
Statement

### GDPR Applicability Assessment

SKFH conducts an annual GDPR applicability assessment subsidiaries. Subsidiaries assess and evaluate business operations through a GDPR applicability questionnaire. According to the latest 2023 results, the group's businesses are not yet subject to GDPR. The company will continue to conduct regular assessments annually in the future.

### 2023 Information Security Management Achievement & Goals

- Implemented the trial operation of the overall information security governance maturity assessment system (FFIEC CAT) for SKFH and its subsidiaries.
- Established vulnerability management for information security, quantifying and verifying the implementation of information security operations using "attack surface management indicators" and "vulnerability patch management indicators".
- Established an information security joint defense management plan and procedure to prevent potential threats, mitigate risks, and reduce harm.
- Signed a "Memorandum of Understanding on National Information Security Joint Defense and Intelligence Sharing" with the Investigation Bureau of the Ministry of Justice to establish public-private cooperation channels with law enforcement agencies.

#### Short Term Goals (2024)

- Complete the preparation of ISO 27001 international information security management systems (ISMS).
- Achieve the planned annual information security governance maturity improvement targets for SKFH and its subsidiaries.
- Continuously optimize shared information security monitoring rules, configuration standards, and operational guidelines.

#### Mid- and Long-term Goals (before 2026)

- Establish a comprehensive information security governance organization.
- Improve the drill and operation of Computer Security Incident Response Team (CSIRT).
- Establish a mechanism for sharing information security and threat intelligence within the Group.
- Develop an information security career path and competency map to continuously cultivate information security talent.

## Ethical Management

The SKFH Board of Directors and senior management have all issued the "Statement of Compliance with the Ethical Management Policy" to actively implement the commitment to integrity in business. The Company has also formulated the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Policy and Best Practice Principles", "Code of Ethics", and Regulations for Internal and External Personnel Whistleblowing" and established ethics consultation channels to create an ethical corporate culture from top to bottom. For 2023, all full-time employees of SKFH and its subsidiaries completed 100% of education and training courses on the Code of Ethical Conduct.



- Policy and Guideline for Ethical Corporate Management Best Practice Principles**
- SKFH Procedures for Ethical Management and Guidelines for Conduct**
- SKFH Code of Ethics**

Furthermore, ethical training for the SKFH and its subsidiaries includes topics such as "anti-money laundering" and "abnormal and irregular transactions".

**SKFH undergoes annual third-party verification of our ethical management systems.**

The SKFH Code of Ethics covers topics such as:

- Anti-bribery and anti-pursuit of personal gains
- Confidentiality (of information of the Company or its customers)
- Conducts of honesty and morality
- Fair trade and anti-insider trading
- Equality in hiring and principle of non-discrimination
- Anti-money laundering
- Healthy and Safe Working Environment
- Safeguard and proper use of company assets
- Prevention of conflicts of interests
- Legal compliance

### 2023 Ethical Management Achievement & Goals

- The All employees of SKFH and its subsidiaries completed 100% of education and training courses on the Code of Ethical Conduct.  
*Maintain to achieve 2024 goal*

#### Short Term Goals (2024)

- Achieve a 100% training rate for the education on the Code of Ethics within the Company.
- Validate the effectiveness of external certification of code of ethics.

#### Mid- and Long-term Goals (before 2027)

- Implement 100% digitalization of the legal compliance processes.
- Reduce the number of violations of code of ethics to zero for both SKFH and subsidiaries.

## Whistleblower Mechanism

To encourage anyone who detects potential criminal activity, fraud, or violations of laws committed by our employees to report such acts, SKFH has established the "Internal and External Whistleblowing Regulations." The Regulations set up internal and external whistleblowing channels, and through an enhanced mechanism for protecting whistleblowers, it ensures that whistleblowers are safeguarded from any threat or adverse consequences.



**SKFH Regulations for Internal and External Personnel Whistleblowing**