

## **Shin Kong Financial Holding Co., Ltd**

### **Incentive Program for Sustainable Action Proposals**

Formulated on Dec. 30, 2020  
First amendment on Mar. 28, 2024

#### **Article 1 Purpose**

The "Incentive Program for Sustainable Action Proposals" (hereinafter referred to as "this Program") is established for the purpose of encouraging all employees of Shin Kong Financial Holding Co., Ltd (hereinafter referred to as "SKFH") to jointly implement sustainable business practices, integrate Environmental, Social, and Governance(ESG) concepts into daily operations, and link them with corporate strategies to create profits and shape a sustainable corporate culture.

#### **Article 2 Applicability, Duration, and Scope**

This Program applies to all employees of SKFH (including senior executives, middle-level managers, junior-level managers and general employees).

Proposals under this Program shall be submitted after approval by the President following the implementation of this Program.

Proposals must make a substantive contribution to SKFH and may include but are not limited to the following sustainable development directions:

Environmental	Circular economy to curb resource waste
	Improving business processes or operational efficiency for energy conservation and emissions reduction.
	Climate action to mitigate and adapt to climate change
	Ecological restoration to promote natural positive development
Social	Talent retention to enrich human capital
	Creating a happy workplace to enhance employee satisfaction
	Promoting finance inclusion to increase financial accessibility
	Caring for local communities to expand social influence
	Practicing fair treatment of customers to safeguard customer rights
Governance	Contributing to long-term profitability and reducing financial losses
	Strengthening correction and anti-fraud measures to reduce penalty oversights
	Implementing integrity in business and complying with laws and regulations
	Enhancing risk management to control potential risks
	Enhancing information security resilience and information security protection
	Developing ESG products and services for sustainable finance

If the same proposal is submitted by two or more units, the one submitted first according to the receiving unit's record of receipt will be processed first. However, if a later submission contains more beneficial content, it may be accepted.

Proposals containing the following will not be accepted:

1. Personal attacks, criticism, complaints, or suggestions lacking constructive solutions.
2. Issues related to individual salaries or personnel changes.
3. Tasks directed by the Chairman or President or existing plans formulated by relevant departments.
4. Repetitive proposals or similar ones that have been submitted within the past six months and not adopted.

### **Article 3 Review Meeting**

The review meeting is composed of the working groups of the SKFH Corporate Sustainability Management Committee and the Budget Review Unit. The members of the meeting are as follows:

1. The convener, served by the secretary-general of the Corporate Sustainability Management Committee.
2. The deputy convener, served by the deputy convener of the Budget Review Unit.
3. The executive secretary, served by the executive secretary of the Corporate Sustainability Management Committee
4. The permanent members are the leaders of each working group of the Corporate Sustainability Management Committee.

The review meeting may invite relevant department supervisors or other professionals to attend and provide relevant information depending on the content of the proposal.

Each member has one voting right. Resolutions in review meetings are considered passed if two-thirds of the members are present and more than half of the attending members agree. Once a resolution is approved in the review meeting, it shall be reported to the President for approval before implementation.

If a review case involves the interests of a member of the review meeting or their affiliated department, they shall recuse themselves from discussion and voting on the case.

#### **Article 4 Proposal Process**

The proposing unit should complete the proposal form (as attached) according to the provided format and submit it to the Sustainable Development Department for filing.

The proposal form should provide a specific description of the expected benefits of implementing the proposal (e.g., reducing discretionary expenses, improving controllable scope, increasing revenue, etc.), along with relevant input costs, value measurements, and evaluation methods to facilitate assessment by the review meeting.

Proposals falling outside the scope of Article 2, Paragraph 3 of this Program or meeting any of the situations outlined in Paragraph 5 of the same article will not be accepted. The Sustainable Development Department will notify the proposing unit of the reasons accordingly. If there are doubts about the proposal content, unclear descriptions, or a need for supplementation, the Sustainable Development Department may request additional information from the proposing unit.

Once the proposal content is accepted, the Sustainable Development Department will inform the implementing department to conduct a feasibility and benefit assessment. If the implementing department disagrees with the proposal content, the executive secretary must convene a discussion meeting before the review meeting. The proposing unit and the implementing department should communicate during the discussion meeting. If consensus cannot be reached, the proposing unit and the implementing department must provide supplementary information for evaluation by the review meeting.

The proposing unit and the implementing department must not object to the review results of the review meeting regarding the proposal content.

#### **Article 5 Calculation of Proposal Net Benefits**

The net benefits of a proposal are calculated based on the increased output value or reduced expenses resulting from the implementation of the new scheme compared to the original one.

The following values must deduct the input costs:

1. For proposals that enhance operational efficiency and consequently save manpower: Using an integer unit of manpower as the basic unit, the output value is calculated based on the cost of each manpower, which is set at NT\$1 million per year (including but not limited to salaries, health insurance, labor insurance, retirement pensions).
2. If the proposal is innovative and there is no comparable original scheme, the output value shall be jointly assessed by the proposing unit and the implementing department. The final net benefits and incentives shall be determined by the review meeting.
3. If the benefits of a proposal are clear but the value cannot be explicitly assessed, the review meeting may decide to submit a separate project proposal to the President for approval of the incentives.

## **Article 6 Calculation and Issuance of Incentives**

To encourage employee proposals, the Company establishes Innovative Incentives and Proposal Incentives. The conditions, methods, and amounts for issuing related incentives are as follows:

1. Innovative Incentives: Refers to cases where proposals are not passed but are deemed to embody innovative spirit by the review meeting. The proposing unit will be awarded an Innovative Incentive of NT\$500.
2. Proposal Incentives:
  - (1) First-stage incentive: If the proposal content is approved by the review meeting, the maximum Proposal Incentive awarded is NT\$3,000.
  - (2) Second-stage incentive: After the proposal plan is initiated, benefit tracking is conducted, and the incentive is calculated based on the net benefits generated one year after implementation in the following manner:
    1. One-time benefit: Net benefits from the proposal  $\times$  1%. The incentive is equally distributed between the proposing unit and the implementing department, with a maximum incentive of NT\$100,000.
    2. Ongoing benefit: Net benefits for the year  $\times$  1%. The incentive is equally distributed between the proposing unit and the implementing department, with a maximum duration of 3 years and a maximum cumulative incentive of NT\$100,000. If the proposing unit is an individual employee who resigns or is terminated during the payout year, the incentive payout ceases in subsequent years, and any already paid incentives will not be recovered.

## **Article 7 Effect of Incentives Program**

In the event of duplicate applications for the same cause under this Program, the human resource management rules, other projects, or professional incentive programs, only one incentive may be chosen.

## **Article 8 Execution and Monitoring**

If the proposal content is approved by the review meeting, the implementing department and the proposing unit shall cooperate to execute it according to their respective responsibilities. From the date of execution, the proposing unit and the implementing department shall jointly submit an implementation report to the review meeting for monitoring annually, with a maximum monitoring period of three years.

The review meeting should monitor the effectiveness of initiated proposals. If there are concerns regarding the lack of expected results or the emergence of other risks, another review meeting may be convened to assess whether to suspend or abolish the proposal to facilitate immediate adjustments or corrections as necessary.

## **Article 9 Implementation and Amendment**

This Program shall be implemented and promulgated after approval by the President. The same applies to all subsequent amendments.