

Shin Kong Financial Holding Co., Ltd.

Sustainable Finance Policy

Formulated on December 18, 2020
First amendment and renamed on May 3, 2021
Second amendment on May 4, 2022
Third amendment on May 23, 2023
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Article 1 Purpose

Shin Kong Financial Holding strives for sustainable finance, and incorporates environment, social, corporate governance (hereinafter referred to as ESG) factors and the UN's Sustainable Development Goals (SDGs) into the decision-making process of investment, lending, and life insurance, in order to reduce potential sustainability risks, enhance the long-term value for stakeholders such as the company, employees and shareholders, fulfill corporate social responsibility, and achieve sustainable development of the company, society, and environment.

Article 2 Scope

This Policy applies to the investment and lending activities of SKFH and its subsidiaries, including long-term positions, both active and passive, as well as owned and managed by outsourced investment institutions, and the provision of life insurance products and services. Examining specific risks, strategies, and action plans should be reviewed based on the characteristics of products and services.

Article 3 Term definition

Terms in the policy are defined as follows:

1. SKFH: Shin Kong Financial Holding Co., Ltd.
2. Subsidiaries: Shin Kong Financial Holding Co., Ltd directly invests subsidiaries with 100% of the total number of issued voting shares or total capital.

Article 4 Authority

SKFH has set up a Sustainable Finance Group supervised by the Corporate Sustainability Committee based on authorities and responsibilities, which is responsible for planning and implementing sustainable finance in company-wide. The missions and duties of the Sustainable Finance Group shall be subject to SKFH Corporate Sustainability Committee's Rules.

Article 5 Principle of practice

In order to effectively implement this policy for each major product and service, SKFH complies with international standards and frameworks for investment, lending and life insurance, such as Principles for Responsible Investment (PRI), Principles for Responsible Banking (PRB), Equator Principles (Eps), and Principles for Sustainable Insurance (PSI), in response to supporting international initiatives and following Taiwan Stock Exchange's "Stewardship Principles for Institutional Investors " to implement the goal of sustainable finance.

Article 6 Incorporate ESG factors into investment, lending and life insurance decision-making processes

SKFH and its subsidiaries shall incorporate ESG factors into the decision-making process of investment, lending and life insurance. Evaluate the ESG comprehensive performance of the counterparties prudently through the analysis of public and non-public information as an important consideration for whether to do business or not. If there is a serious violation of ESG evaluation standards of the policy, the business shall not be approved, so as to reduce positional sustainability risks and promote sound development. According to international trends and domestic regulations, the major ESG factors we focus on are defined as follows:

1. Environment (E): Climate change, biodiversity, environmental pollution
2. Social (S): Human rights, diversity, equity and inclusion
3. Corporate governance (G): Ethical corporate management, board performance

Article 7 Exclusion list

SKFH and its subsidiaries have established an exclusion list for industries and countries with high ESG risks. If the counterparties hit the following exclusion criteria, they shall not be dealt with :

1. Sex industry, Drug industry and Controversial arms industry.
2. Countries or regions with serious deficiencies in combating money laundering and financing of terrorism

Article 8 Asset class specific guidelines

During investment, lending, and life insurance decision-making process, the following guidelines should be followed to evaluate the ESG performance of counterparties for enhancing the long-term value of SKFH and fund providers.

1. Investment

- (1) Scope: Listed equities, fixed-income securities, private equities, and real estate.
- (2) Guidelines: In accordance with PRI, ESG risk assessments and evaluations should be conducted based on different asset classes and counterparties. For listed companies, domestic or foreign, refer to their international ESG ratings or domestic corporate governance ratings. If the rating falls below our threshold, evaluate cautiously or refrain from new investments. For real estate, 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.

2. Lending

- (1) Scope: Project financing, and corporate lending.
- (2) Guidelines: In accordance with PRB and EPs, evaluate the ESG risks of borrowers carefully in the lending decision-making process. If the loan purpose is used to promote sustainable development, preferential loan terms may be offered. For borrowers in controversial or carbon-intensive industries, prioritize engagements to guide improvement. Results of engagements should be incorporated into the overall credit assessment. If borrowers fail to improve or the situation worsens, gradual divestment or terminate credit relationships if necessary.

3. Life insurance

- (1) Scope: Life insurance
- (2) Guidelines: In accordance with PSI, 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. It is also important to increase awareness among customers and business partners regarding ESG issues, risk management, and solution development. SKFH and its subsidiaries should work with the government, insurance regulators, and stakeholders to promote ESG practices and regularly disclose compliance progress in PSI to ensure transparency.

Article 9 Sector specific guidelines

When dealing with controversial industries and carbon-intensive industries, the sector specific guidelines are as follows:

1. Controversial industries
 - (1) Definition : Tobacco, Gambling, Fur Trading and Tropical rainforest logging
 - (2) Guiding principle : Conduct ESG risk due diligence and prudent assessment on counterparties in accordance with Sector specific guidelines, which is the basis for decision-making on whether to deal with or not, and those who meet the guidelines can be considered for business dealings.
2. Carbon-intensive industries
 - (1) Definition : Including but not limited to whole production cycle of thermal coal and unconventional oil and gas industries.
 - (i.) Coal-related industries : Coal mining, Coal infrastructure, Coal trading, Coal-fired power generation, and Coal transport and logistics.
 - (ii.) Unconventional Oil & Gas industries : Tar Sands, Shale Oil & Gas, Arctic Oil & Gas, Ultra-deep-water Oil & Gas, and Liquefied Natural Gas derived by unconventional extractions.
 - (2) Guiding principle : Conduct ESG risk due diligence and prudent assessment on counterparties' climate change risks and negative impacts on climate change in accordance with sector specific guidelines. Based on the results, SKFH and its subsidiaries could actively take engagement actions with counterparties to implement mitigation measures to reduce climate-related risks. SKFH will refer to international standards and the performance of carbon emissions in the same industry to formulate risk regulations for controlling in carbon-intensive industries

Article 10 Schedule for phasing out 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.

SKFH and its subsidiaries have established the following phased goals by the commitments made in the preceding section:

1. Effective immediately, cease direct investment and lending of not only thermal coal and unconventional oil and gas projects (including new projects or expansion of existing projects) but also companies that are still expanding related industries.
2. By 2030, phase out all investment and lending exposure to global thermal coal-related industries.
3. By 2040, phase out all investment and lending exposure to global unconventional oil and gas-related industries.

Regarding the preceding Paragraphs 2 and 3, if related industries have specific decarbonization actions or transition plans consistent with the Paris Agreement goals, such as setting emissions reduction target validated by Science-Based Targets initiative(SBTi), developing carbon capture technology to remove carbon emissions, or other carbon reduction actions recognized by third-party organizations, and related industries owned by local governments with a stake greater than 50%, and where the local government has announced net-zero pathways and targets consistent with the Paris Agreement, the counterparties could be evaluated on a case-by-case basis, and the business rights and responsibilities of each subsidiary company are authorized to be approved.

Thermal coal-related industries specified in Paragraph 1 refer to coal mining, coal infrastructure, coal trading, coal-fired power generation, coal transport and logistics, and other related industries covering the whole production cycle, with revenue or power generation accounting for more than 5%.; Unconventional oil and gas-related industries refer to tar sands, shale oil and gas, arctic oil and gas, ultra-deep-water oil & gas, liquefied natural gas derived by unconventional extractions., and other related industries covering the whole production cycle, with revenue accounting for more than 5%.

To implement the goal of phasing out thermal coal and unconventional oil and gas-related industries, SKFH and its subsidiaries shall prioritize engagement actions in accordance with Article 11 of this Policy, guiding these industries to develop climate transition plans and set SBT aligned with the goals of the Paris Agreement. If the engagement results do not meet our expectations, we shall escalate engagement. The outcomes of escalating engagements will serve as the basis for decisions on whether to continue business relationships, reduce investment or divestment, to achieve the goal of phasing out thermal coal-related industries by 2030 and unconventional oil and gas-related industries by 2040.

Article 11 Engagement policy

To ensure the long-term interests of SKFH and its subsidiary fund providers, including shareholders and customers, reduce sustainability-related risks and seize opportunities, subsidiaries shall conduct research and analysis on the investees and borrowers (hereinafter referred to as engaged companies) and then use the collected information as a reference for subsequent voting decisions and ongoing business cooperation.

Subsidiaries shall not only carry out engagement actions based on the engagement issues, but are encouraged to establish engagement guidelines based on the nature of respective business and relevance.

The ESG issues that SKFH and its subsidiaries focus on for engagement include but are not limited to:

1. Environment (E): Climate change, biodiversity, environmental pollution
2. Social (S): Human rights, diversity, equity and inclusion
3. Corporate governance (G): Ethical corporate management, board performance

The prioritization of engagement targets and issues by subsidiaries should consider the engagement issues of concern to SKFH, the significance of asset exposure, and the specific ESG issues and financial performance associated with counterparties in different industries. Subsidiaries should regularly review the list.

The engagement methods include but are not limited to direct communication or joint cooperation with the engaged companies to improve, questionnaire surveys, public forums, expressing positions or submitting resolutions at annual general meetings, exercising voting rights, or collaborative engagement with public and private sectors, financial institutions, and initiative organizations in Taiwan and abroad.

After the subsidiaries take engagement actions, if the engaged companies have demonstrated actual improvements and has positive ESG impact or contributions, they should be prioritized on the list of investments, lending, or life insurance. If the engagement results meet the expected goals, or if the engaged companies have been assessed to have achieved maximum improvement, the subsidiaries may defer its engagement actions. If the engagement results do not meet the expected goals, the subsidiaries should increase the intensity of engagement actions based on SKFH's sustainable values, operational considerations, and risk management. The results of the escalating engagement will serve as a basis for decision-making on whether to continue business relationship, reduce investment or divestment.

The methods to enhance the intensity of engagement include but are not limited to increasing the frequency of communications, raising the level of the representatives of both parties, inviting important stakeholders of engaged companies to join the engagement, expressing our opinions at the shareholders' meeting or legal meeting of engaged companies, or voting or proposing resolutions at the shareholders' meeting.

SKFH and its subsidiaries shall disclose engagement results routinely, in order to demonstrate the progress of sustainable finance to external stakeholders.

Article 12 Voting Policy

The exercise of voting rights of the domestic investees shall be done in written or electronic means in accordance with Company Act in Taiwan and the notice of the investees.

Careful evaluations are performed before exercising voting rights on significant ESG

issues, controversial events, or resolutions that may affect long-term shareholder value. When necessary, we shall communicate with the company's management before the annual general meeting

Significant ESG issues resolutions mentioned in the preceding paragraph refer to those involve significant ESG factors of concern to SKFH, including but not limited to climate change, biodiversity, environmental pollution, human rights, diversity, equity and inclusion, ethical corporate management, and board performance.

SKFH and its subsidiaries' voting principles for investees' annual general meetings are as follows:

1. In respecting the management expertise of the investees and promote their effective development, we generally but not absolutely support resolutions submitted by the management.
2. We express support for resolutions that effectively address corporate governance, environmental and climate-related issues, and social concerns.
3. Support should not be given to resolutions that significantly violate the ESG or negatively affect the sustainable development of the investees, such as those that violate corporate governance, business ethics, or involve financial fraud, or those that have a negative impact on the environment or society, such as pollution, human rights violations, and climate issues, or those that pose a potential risk due to inadequate management to us and shareholder equity.

Voting records in investees's annual general meetings should be properly documented. The summary shall be disclosed on the website or institutional investors' stewardship report annually.

When subsidiaries hire external proxy voting service providers to handle voting-related matters, subsidiaries shall confirm that the voting research report and voting recommendations from the service providers are consistent with the voting policy principles.

Article 13 Outcome measurement and disclosure

SKFHs is committed to promoting sustainable finance. To effectively review and track the process and performance of sustainable finance, SKFH established key performance indicators(KPIs) such as the reduction of greenhouse gas emissions from our own operations, the reduction of financed emissions, the increase amount of ESG-related investment and lending. These KPIs aim to achieve reductions in greenhouse gas emissions, enhancement of climate resilience, conservation of biodiversity, reduction of

environmental pollution, protection of human rights and equality, and strengthening of ethical corporate management and board governance. The relevant KPIs are established and supervised by SKFH's Corporate Sustainability Committee every year, and are regularly disclosed in the sustainability report. The spirit of sustainable stewardship shall also be actively used to take engagement actions and exercise voting rights to drive the industries towards sustainable development.

Article 14 Vision

SKFH continues to pay attention to the trends of local and international ESG and SDGs. All sustainable issues can promote corporate sustainable managements and developments are considered in current state and future.

Article 15 Implementation

The Policy shall be implemented after it is approved by the board of directors, and the same shall apply to all amendments.