

## **SinoPac Securities Investment Trust Co., Ltd.**

### **Stewardship Policy**

#### **Chapter 1 General Provisions**

##### **Article 1 (Purpose)**

SinoPac Securities Investment Trust Co., Ltd. (hereinafter referred to as SinoPac SITC) engages in securities investment trust services, discretionary investment services, and other related services approved by the government authority, as the role of institutional investor, it provides asset management service to fund providers, to achieve the investment objectives depending on the role of investment chain or the nature of business, also considering the funds raised have a significant impact on the market and investee companies. . Whenever SinoPac SITC implements investment or fulfills investment and fiduciary responsibility, it will in line with the long term interest of the fund provider(including clients, beneficiaries and shareholders), continuous pay attention to the investee company operating, attending shareholder’s meeting to exercise voting rights, through appropriate dialogue and interaction with management or operation members of investee companies to execute the corporate governance. SinoPac SITC has signed the compliance statement on "Stewardship Principles for Institutional Investors" to enhance investment value through various stewardship actions; in addition, SinoPac SITC considers environmental, social and governance ("ESG") issues in the investment process to enhance the long-term interests of clients, beneficiaries and shareholders. To achieve the goals to enhance the investment value, SinoPac SITC hereby formulates the Stewardship Policy (hereinafter referred to as the Policy).

#### **Chapter 2 Matters Regulating SinoPac SITC**

##### **Section 1 Stewardship**

##### **Article 2 (Principle and Basis of Management)**

To implement strong internal management, protect the assets of investors appropriately, and create the development of the company and interests to the clients, SinoPac SITC shall conduct business in compliance with the principles of fiduciary duty, integrity, diligence, cautious management and professionalism. SinoPac SITC shall also formulate the management guidelines and related management regulations that specify matters, such as responsibilities for clients, beneficiaries and shareholders, in accordance with the Securities Investment Trust and Consulting Act, related laws and regulations, and self-discipline of the industry association. The person in charge and staff of SinoPac SITC shall comply with the aforesaid regulations.

Article 3 (Action of Stewardship: I. Continuous Focus on of the Investee Companies)

SinoPac SITC shall continuously focus on investee companies' issues regarding day to day relevant news, quarterly financial performance, industry future outlook, mid to long term company business strategy, major environmental protect, social responsibility, labor rights, and corporate governance to ensure that it can receive the precise information and develop the effective investment strategy to assess the bilateral dialogue, motive, timeline and depth with investee companies.

Article 4 (Action of Stewardship: II. Interactions with Management or Operation Members of Investee Companies, Attending Shareholder's Meeting, and Exercising Voting Rights)

To reach a mutual understanding of the industrial risk and strategy and to create long-term value with investee companies, SinoPac SITC shall communicate with the management or operation members of investee companies through kinds of appropriate dialog and interactions, such as participation in conference call, face-to-face meeting, investment conference, annually general shareholders' meeting and exercise voting rights, or extraordinary shareholders' meeting.

Article 5 (Action of Stewardship: III. Consider of ESG Assessment in Investment Process)

In order to strengthen the investment and asset management, considering ESG issues in fund management business, SinoPac SITC refer to United Nations "Responsible Investment Principles" and "Stewardship Principles for Institutional Investors", also in line with SinoPac Holdings' "Responsible Investment Management Guidelines", SinoPac SITC also completed "Responsible Investment Management Guidelines" in 2019, to lead the responsible investment implementation.

SinoPac SITC's investment process shall include ESG assessment and adopt the following indexes:

1. Incorporate ESG issues into investment analysis and decision-making processes.
  - (1) Taiwan Stock Pool screening: Incorporate the results of corporate governance evaluations or ESG ratings of domestic listed companies conducted by impartial third-party institutions (such as Securities & Futures Institute) or large international institutions (such as MSCI and FTSE), and authorized to use the constituent stocks of Sustainable or ESG indexes into the screening rules to strengthen the prior assessment of investment.
  - (2) Overseas stocks and bond funds investment: Conduct the investment analysis based on the ESG assessments of

international information sources (such as Bloomberg).

2. Prohibit any investment in controversial industries (such as erotic industry and controversial arms weapons): Carefully 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).

Except to review whether it's a controversial or sensitive industry, SinoPac SITC will visit the potential investee company, and refer to relevant information such as the Stock Exchange and the Securities Foundation's "Annual Corporate Governance Evaluation Report", and the Taiwan Depository and Clearing Corp's "Corporate Investor Relations Integration Platform", to conduct a comprehensive company risk assessment.

3. Public Offering ESG index-related funds.
4. Continuously pay attention and regularly check whether investee companies appropriately disclose or provide information on ESG issues, including whether recommended investee companies in Taiwan Stock Pool issue CSR reports. If not, ask about the schedule of issuance and watch on ESG issues.

## **Section 2 Conflict of Interest Management**

### **Article 6 (Conflict of Interest Management Objective and Five Principles)**

The objective of SinoPac SITC's conflict of interest management, is to ensure that the person in charge and staff of the company should conduct business for clients and beneficiaries' interest.

SinoPac SITC shall engage in conflict of interest management in line with the following principles of due care of a good administrator and fiduciary duty: giving priority to client interests, avoiding conflicts of interest, prohibiting short-term trading, prohibiting improper gains, and following fair dealing.

The person in charge and staff of SinoPac SITC shall pay attention to their legal liability and comply with the internal requirements for maintaining the reputation of SinoPac SITC in the industry and the safety and efficiency of business operations. SinoPac SITC shall also be obliged to educate the staff to understand and comply with relevant regulations.

To ensure the interests of clients and beneficiaries, the management guidelines and related management regulations formulated by SinoPac SITC shall incorporate with conflict of interest management, and various types of conflicts of interest and management approaches.

## Article 7 (Specific Requirements for Conflict of Interest Management)

Basic situation of conflict of interest, including:

1. For personal advantage to make decisions and actions that may due to disadvantage to clients or beneficiaries.
2. For certain clients or beneficiaries' advantage to make decisions and actions that may due to disadvantage to other clients or beneficiaries.

SinoPac SITC shall have specific requirements for conflict of interest management as follows:

1. SinoPac SITC shall not make decisions or take action unfavorable to clients or beneficiaries for the benefits of the company or stakeholders.
2. SinoPac SITC shall not make decisions or take action unfavorable to other clients or beneficiaries for the benefits of specific clients or beneficiaries.
3. Personal trading of the person in charge, staff, and related parties of SinoPac SITC shall be strictly subject to relevant laws and regulations and the management guidelines and personal trading management rules of SinoPac SITC.

According to the laws and contract requirements, all employees of SinoPac SITC shall conduct business with the duties of care and fiduciary as a good administrator and in faith rules as follows:

1. All employees of SinoPac SITC shall not disclose information known from the business operations to others or engage in the trading of securities and related products.
2. All employees of SinoPac SITC shall not take advantage of the fund management in trading securities and other related products for the benefits of their own or others or engage in matched orders with the investment trusts without justification.
3. All employees of SinoPac SITC shall not act falsely or deceitfully or otherwise act to mislead others.
4. All employees of SinoPac SITC shall classify fees or other benefits from securities dealers, futures dealers, or other counterparties into the fund assets when taking advantage of the fund management in trading securities and other related products.
5. All employees of SinoPac SITC shall not promote the beneficiary certificates of the funds by agreeing on or providing specific benefits or considerations or assuming losses.
6. All employees of SinoPac SITC shall not transfer the power of attorney to attend the shareholders' meeting or exercise the voting rights of the shares held under the funds with intent to receive

money or other benefits.

7. All employees of SinoPac SITC shall not raise or lower the price of a certain securities in market or otherwise act sufficiently to damage the rights and interests of fund investors when taking advantage of the funds to buy or sell securities and other related products.
8. All employees of SinoPac SITC shall not modify the completed trading from the fund account to their own accounts, others' accounts or a discretionary account or modify their own accounts, others' accounts or a discretionary account to the fund account when taking advantage of the funds to trade securities and other related products.
9. All employees of SinoPac SITC shall not promote the trading of individual securities or make predictions on the future price of individual securities in public or the media.
10. All employees of SinoPac SITC shall not sacrifice the rights and interests of beneficiaries and clients due to conflicts of interest with the rights and interests of beneficiaries and clients when investing the company's own capital in accordance with laws and regulations.
11. All employees of SinoPac SITC shall not otherwise act to affect the rights and interests of beneficiaries or clients or the company's operations.

#### Article 8 (Conflict of Interest Management Types and Approaches)

When a conflict of interest occurs ( or is likely to occur), SinoPac SITC shall prioritize the interests of clients, clarify the situation of conflicts of interest that may occur, adopt the proper approaches to manage the conflict of interest:

1. Culture Build Up and implement (Continuous education and awareness promotion):

The operations and management of SinoPac SITC shall comply with the restrictions and regulations of the laws. The person in charge and staff of SinoPac SITC shall understand that they are subject to relevant laws and regulations, such as the Securities Investment Trust and Consulting Act, relevant regulations stipulated by the industry association, and internal policies of the company. SinoPac SITC shall also organize employee training on a regular basis, including pre-service training, on-the-job training, and continuous legal awareness and education.

2. Employees' Conflict of Interest Management (Personal trading control and audit):

For the person in charge, department heads, branch managers, fund managers, discretionary investment managers, and staff of SinoPac SITC who may participate in or make investment decisions based on their positions, the staff who may have an opportunity to know the

undisclosed information on the company's investments in advance or give advice on investments, or other people who may know the information on the company's securities investments at work (collectively referred to as the "Handling Personnel"), the trading of the stocks or equity derivatives of domestic listed companies and listed emerging companies by the Handling Personnel or their spouses, minor children or accounts held in the name of others shall be approved upon review and audit. Such personal trading shall be subject to the restrictions on the minimum holding period or re-investing period to ensure its compliance with proper procedures and avoid conflicts of interest with clients.

In addition, SinoPac SITC shall require all fund managers and discretionary investment managers to deliver consent, authorizing the company to inquire Taiwan Stock Exchange Corporation, Taipei Exchange, and Taiwan Futures Exchange about the trading of securities by the fund/investment managers' personal account included their spouses and minor children's account. SinoPac SITC shall also audit the personal account trading of the aforesaid managers, other Handling Personnel, and related parties every year on a regular basis or from time to time as needed.

3. Conflict of Interest Management Between Certain Clients and Beneficiaries (Trading information firewall control):

SinoPac SITC shall formulate the management rules for the use of information and communication equipment in the offices of discretionary investment managers and fund managers; employees shall not disclose the information on fund investments or discretionary accounts for no reason, and shall avoid the improper transmission of information on investment between affiliated companies, different departments or employees at different positions, offices with different functions should also be properly separated.

4. Division of powers and responsibilities (Functional Segmentation):

SinoPac SITC's internal control system shall have a functional segmentation mechanism to ensure the effective operation of the internal control and internal audit systems. To ensure the independent decision-making and confidentiality of investment, SinoPac SITC shall establish a centralized ordering system in addition to a functional segmentation mechanism called Chinese wall; that is, SinoPac SITC shall improve the monitoring and audit systems for the investment decision-making process to prevent conflicts of interest or any other illegal matters. Considering the internal control system, SinoPac SITC shall separate the investment decision-making process from the trading process.

5. Conflict of Interest of detection and supervision (Mechanisms of

control):

SinoPac SITC shall establish a neutral supervisory unit that directly reports to the President and above management level and the internal monitoring procedures. SinoPac SITC shall ensure that internal auditors have the ability and experience sufficient to perform their duties, keeping company management in compliance with the internal policies and procedures and all applicable laws and regulations.

The responsible supervisor shall be independent of all departments and report directly to the President and above management level. In addition to ensuring compliance with the internal policies and procedures and all applicable laws and regulations, the responsible supervisor shall ensure that the supervisory personnel have the expertise and experience to perform their duties.

The supervisor shall keep the audit work independent and objective in order to report the appropriateness and effectiveness of company management, operations and internal controls to the management on a regular basis.

6. Conflict of Interest Management Between Salespeople and Clients  
(Reasonable remuneration system):

SinoPac SITC shall establish a reasonable remuneration system that does not consider the sales volume of salespeople the sole standard for the performance evaluation and remuneration issuance. SinoPac SITC shall also establish a performance evaluation and remuneration system, which includes financial indicators and non-financial indicators, in line with the company's long-term profits and shareholder interest. The performance evaluation and remuneration system shall be reviewed on a regular basis to ensure its compliance with the company's long-term development policy.

7. Conflict of Interest Management Between Counterparties and SinoPac SITC (Prohibition against acceptance or provision of improper gains and acceptance of gifts or entertainment):

SinoPac SITC and its employees shall not directly or indirectly accept or provide improper money, gifts, entertainment or other benefits that may affect their professional judgment and objective performance of duties. Employees who directly or indirectly accept or provide gifts or entertainment of NT\$2,000 or more shall submit a written report to the supervisors for future reference.

8. Sanctions for Conflicts of Interest (Compensation measures):

In the event of a major conflict of interest that harms the rights and interests of clients and beneficiaries, SinoPac SITC shall summarize the reason for the event and how it is handled to clients and beneficiaries by website announcement, fax, e-mail, or phone or in

paper writing, and shall maintain appropriate procedures for handling the rights and interests of clients and beneficiaries in a timely and appropriate manner.

### **Section 3 Voting Policy and Engagement**

#### **Article 9 (Threshold for Exercise of Voting Rights at Shareholders' Meeting)**

For the best interests of clients and beneficiaries, SinoPac SITC shall exercise the voting rights of the shares held in accordance with relevant regulations, such as the Regulations Governing Securities Investment Trust Enterprises, the fund investment trust contracts, and the discretionary investment contracts.

SinoPac SITC may exercise the voting rights in paper writing or electronically in accordance with the provisions of the Company Act; except as otherwise provided by relevant laws, the competent authority or contracts, follow the rule, any SinoPac fund holding stocks for more than one year and holding position more than 0.5% of the investee's outstanding shares, SinoPac will attend the shareholders' meeting to exercise voting rights. In addition, SinoPac SITC may not appoint its employee when exercising the voting rights of the shares held by the funds in the following ways:

- (1) Appoint companies that meet the conditions specified in Paragraph 2, Article 3 of the "Regulations Governing the Administration of Shareholder Services of Public Companies" to exercise the voting rights of the shares held by the funds.
- (2) When the funds managed by SinoPac SITC meet the conditions specified in the following items, SinoPac SITC may not appoint its employee to attend a shareholders' meeting:
  - A. Any fund holding less than 0.3 million shares of a public company and all funds holding a total of less than 1 million shares.
  - B. Any fund holding shares of a public company that adopts the electronic voting system less than one ten thousandth of the total shares issued by the company and all funds holding less than three ten thousandths of the total shares issued.
- (3) Except for the exercise of voting rights of the shares held by the funds in the manner prescribed in Subparagraph (1), for any fund managed by SinoPac SITC holding more than 0.3 million shares of a public company or all funds holding more than 1 million shares, SinoPac SITC may appoint a person other than its employee to attend a shareholders' meeting where there is no proposal for the election of directors and supervisors; or where there is a proposal for the election of directors and supervisors, and the shares held by



any fund are less than five-thousandths or 0.5 million shares of the total shares issued by the company.

When any fund managed by SinoPac SITC holds less than 1,000 shares of a public company, SinoPac SITC may not apply with the company for the issuance of a shareholders' meeting notice and ballot for the shares held by the fund, and may not exercise the voting rights of the shares held by the fund. However, the number of shares shall be included in the calculation of the number of shares in Subparagraphs (2) and (3) of the preceding paragraph.

When SinoPac SITC appoints companies that meet the conditions specified in Paragraph 2, Article 3 of the "Regulations Governing the Administration of Shareholder Services of Public Companies" according to Subparagraph (1), Paragraph 2 or appoints a person other than its employee to exercise the voting rights of the shares held by the funds, the instructions on the exercise of voting rights for each proposal shall be specified on the letter of appointment.

When a public company convenes a shareholders' meeting for the shares held by the fund and lent by SinoPac SITC, SinoPac SITC shall evaluate whether to request the borrowers to return the shares in advance based on the professional judgment and for the best interests of beneficiaries. If early return is not required upon evaluation, the number of shares shall be excluded from the calculation of the number of shares in Subparagraphs (2) and (3), Paragraph 2.

#### Article 10 (Evaluation or Communication before Voting)

Before exercising the voting rights, SinoPac SITC shall record the evaluation and decision-making procedures and results of the exercise of voting rights in writing and keep them on file; whenever necessary, SinoPac SITC may communicate with the management of a public listed company before the shareholders' meeting.

Once the stocks hold for more than one year and holding position more than 1% of the investee's outstanding shares, SinoPac SITC either the fund manager or the research team should communicate with the management team or operation members of the company before shareholders' meeting, and hold the research meeting to evaluate how to exercise the voting rights. When attending a shareholders' meeting to exercise the voting rights regarding issues like (1) the re-election of directors and supervisors and (2) major decisions, SinoPac SITC shall hold a meeting to discuss the issues and appoint an appropriate person to attend the shareholders' meeting on behalf of the fund or vote on the resolutions electronically. When attending a shareholders' meeting to exercise the voting rights, the representative appointed by SinoPac SITC shall present a letter of appointment. The representative shall exercise the voting rights for the best interests of the beneficiary certificate holders and shall not directly or indirectly participate in the operations of the public company or make improper arrangements. If the issues under discussion are (2) major decisions (such as mergers

and acquisitions and compensation for directors and supervisors), an evaluation report, along with the meeting minutes, shall be prepared and submitted to the department head and supervisor for future reference.

Article 11 (Types of Proposals with Support, Opposition or Abstention)

For the best interests of beneficiaries, SinoPac SITC shall support the proposals made or candidates for directors and supervisors proposed by the board of directors of issuers whose shareholding percentage meets Article 26 of the Securities and Exchange Act; however, SinoPac SITC may not absolutely support the proposals made by the management. Specific principles are as follows:

- I. Principle of Support: Proposals of corporate financial reports submitted by investee ranking among top 5% in the annual corporate governance evaluation
- II. Principle of Oppose: Proposals that violate major climate-related issues
- III. Abstention: Proposals of directors' election in which the corporate governance's disputes occurred

Article 12 (Proposals Made by the Management without Absolute Support and the motives and criteria for opposing the proposals)

If the management of issuers fails to achieve the sound operations, which is likely to damage the rights and interests of the company or shareholders, or violated of sustainable operations such as environmental, social, and corporate governance, and major issues punished by authorities, SinoPac SITC will evaluate whether to abstain in the voting or oppose to the proposals made by the management.

Article 13 (Engagement)

If investee companies are likely to violate corporate governance principles in a serious manner or harm the long-term value of the company's clients, beneficiaries and shareholders on certain issues, SinoPac SITC will inquire the management of the investee companies about the progress of handling from time to time, and may seek to express the demands with other investors.

SinoPac SITC may talk or interact with investee companies in the following ways:

1. Communicate with the management by paper writing, e-mail or phone, or verbally.
2. Give opinions in a shareholders' meeting.
3. Make proposals in a shareholders' meeting.
4. Participate in voting in a shareholders' meeting.

## **Section 4 Performance and Disclosure**

### **Article 14 (Disclosure of Stewardship)**

SinoPac SITC shall regularly update and disclose the performance of stewardship on the website by semi-yearly( at quarter 1 and quarter 3), if there are any other new strengthened stewardship issues, it will be updated from time to time, the disclosed contents including:

1. Compliance statement and explanation of non-compliance.
2. Attendance at the shareholders' meetings of investee companies, voting, and other major matters, such as types of proposals with opposition and reasons for opposition and number of votes by proxy. The exercise of voting rights by investee companies (support, opposition, or abstention) in a shareholders' meeting may be disclosed in a collective or appropriate manner.
3. Internal resources input during the reporting period to implement stewardship.
4. Contact channels for stakeholders, such as clients, beneficiaries, investee companies or other institutional investors.
5. Engagement summary report.
6. Description of any major conflicts of interest in the past year, including the reasons for the events and how they were handled.

If SinoPac SITC entrusts other professional institutions (such as equity research agency or custodian bank) to execute some stewardship activities (including voting suggestion or voting proxy) on their behalf, it will not terminate SinoPac SITC's existing responsibilities to clients or beneficiaries.

The above disclosures shall be made in a reader-friendly manner and supplemented by diagrams for proper explanation.

## **Chapter 3 Supplementary Provisions**

### **Article 15 (Preferred Application of Regulations)**

The "Securities Investment Trust and Consulting Act" and related laws and regulations, self-discipline of the industry association, and the "Stewardship Principles for Institutional Investors" specified in Article 1, also in line with SinoPac Holdings' "Responsible Investment Management Guidelines", herein shall be part of the Policy.

If matters regulated in the Policy are involved in the addition or amendment to external laws and regulations, they shall be handled in accordance with the addition or amendment to the external laws and regulations before the amendment to the Policy; the formulating unit

shall review the Policy on a regular basis and amend it in due course.

Article 16 The Policy shall be implemented upon approval of the Board of Directors; the same procedure shall apply to any amendment.

Adopted in the 12th meeting of the 8th-term Board of Directors on November 28, 2019

First Revised and adopted in the 8th meeting of the 8th-term Board of Directors on July 28, 2020