



## CTBC Insurance Co., Ltd.

### Statement of Compliance with the Stewardship

#### Principles for Institutional Investors

CTBC Insurance began operations on July 21, 2006, and on October 15, 2015, became a member of CTBC Financial Holding Co., Ltd.. To fulfill the concept of corporate sustainability and keep pace with international trends, the Company adheres to the spirit of responsible investment principles, integrates Environmental, Social, and Corporate Governance (ESG) into investment considerations, and has formulated a responsible investment policy. By reviewing the ESG-related information of investees, the Company assesses whether the invested enterprises fulfill their environmental protection, corporate integrity, and social responsibility, aiming to fulfill corporate social responsibility through prudent management of funds.

##### **Principle 1: Establish and Disclose a Stewardship Policy**

The Company's operational objective is to protect customer rights and maximize shareholder interests through its property insurance business. In pursuit of sustainable operations and development, the Company embraces the concept of corporate citizenship and aims to create long-term value across economic, environmental, and social dimensions. To achieve this, the Company has formulated and disclosed its stewardship policies to fulfill its governance responsibilities. The key elements are as follows:

1. The Company is committed to establishing a sound governance framework, implementing internal controls, enhancing shareholder value, strengthening board functions, protecting customer rights, and respecting stakeholder interests. It maintains solvency and transparency, monitors external developments, and formulates responsive strategies. Board members possess the necessary qualifications in accordance with the Company Act and relevant insurance regulations.
2. To enhance oversight and management, the Company has established an Audit Committee and a Risk Management Committee, both accountable to the Board of Directors. Regular board meetings are held to track progress on key business matters, reflecting the Company's commitment to ethical governance.
3. In executing investment decisions or fiduciary duties, the Company prioritizes the overall interests of customers and shareholders. Stewardship actions include monitoring investee



companies, conducting site visits, attending shareholder meetings, exercising voting rights, and engaging in constructive dialogue with management to promote sustainable development and long-term value.

4. The Company has established a Responsible Investment Policy aligned with the six principles of the PRI. ESG factors are integrated into investment evaluations across equities, bonds, funds, counterparties, and brokers. ESG risks and performance are considered throughout the investment process to fulfill stewardship responsibilities and create long-term value. For publicly listed domestic and foreign companies, the Company incorporates third-party ESG ratings into its evaluation process to strengthen investment assessments.
5. To manage portfolio risk and enhance returns, asset allocation and investment decisions are based on market conditions, asset-liability relationships, risk tolerance, liquidity, and solvency. The Company determines the method, scope, and frequency of stewardship actions based on investment objectives and cost-benefit analysis. These actions include monitoring investee companies, engaging with management, attending shareholder meetings, and exercising voting rights.
6. The Company may delegate certain stewardship activities (e.g., proxy voting or advisory services) to professional service providers under contractual agreements or supervision, ensuring that such services are performed in accordance with the Company's requirements.
7. The Company discloses its stewardship practices on its official website and updates them at least annually.

## **Principle 2: Establish and Disclose Conflict of Interest Management Policy**

To ensure that the Company prioritizes commitments for customer and shareholder interests in the execution of its business operations, it has established internal regulations for managing conflicts of interest. Potential conflict scenarios may include, but are not limited to, the following relationships: between the Company and its customers, between the Company and its employees, between employees and customers, between the Company and investee companies, and between the Company and affiliated entities.

The Company manages and prevents conflicts of interest through education and awareness programs, tiered accountability, information control, firewall mechanisms, and supervisory controls. Key measures include:

1. Conflict of Interest Management with Stakeholders



The Company has formulated its “Policy for Non-Lending Transactions with Related Parties” in accordance with Article 45 of the Financial Holding Company Act, the Insurance Act, and relevant regulations. All transactions with related parties must comply with these rules and adhere to the principle that transaction terms shall not be more favorable than those offered to comparable third parties.

Transactions must also comply with the “Regulations Governing Implementation of Internal Control and Audit Systems for Insurance Enterprises.” Prior to execution, the Compliance Officer must issue a formal opinion confirming legal and regulatory compliance and sign the relevant documentation.

## 2. Employee Code of Conduct

Employees must comply with the Company’s internal “Employee Code of Conduct,” which prohibits unauthorized concurrent employment and requires avoidance of conflicts of interest. Employees must remain vigilant regarding any secondary employment or personal financial interests that may conflict with their duties. Abuse of authority for personal gain is strictly prohibited.

Key provisions include:

- (1) Employees must devote themselves fully to their duties and may not engage in concurrent employment without prior written approval.
- (2) Concurrent employment must not violate laws, internal rules, or create conflicts with Company interests or job responsibilities.
- (3) Employees may not use third parties to circumvent internal or external regulations.
- (4) Employees may not operate or invest in businesses similar to the Company’s, nor serve in any capacity for such entities.
- (5) Employees may not promote, sell, or refer non-Company products or services for personal gain.
- (6) Employees may not use personal accounts for client transactions or execute trades for close relatives via Company systems.
- (7) Employees should not act as guarantors for loans involving non-immediate family members or approve transactions involving related parties.
- (8) Personal investment activities must be long-term and non-speculative, avoiding conflicts with Company interests or market rumors.



### 3. Insider Trading Prevention

The Company has implemented an “Insider Trading Prevention Policy” to eliminate conflict-related misconduct. Key provisions include:

- (1) Disclosure and approval are required before engaging in potentially conflicting activities.
- (2) Employees must avoid transactions involving themselves or relatives that may present conflicts.
- (3) Employees may not trade securities based on material non-public information within 18 hours before or after public disclosure.
- (4) Disclosure of such information to others is strictly prohibited.
- (5) Investment personnel are prohibited from: Using insider information for trading. Conducting self-dealing or unjustified reciprocal trades. Promoting specific securities in public forums or media. Engaging in any activity that may harm the Company’s interests.

### 4. Insider Trading Prevention Management for Investment Business

To prevent insider trading during investment operations, employees must comply with the Company’s insider trading prevention guidelines, including rules on trading suspensions and performance evaluation during suspension periods.

### 5. Conflict Prevention Mechanism for Domestic Equity Investment Personnel

The Company has established a “Conflict Prevention Mechanism for Domestic Equity Investment Personnel,” which includes:

- (1) Pre-approval for all personal trades.
- (2) Periodic reporting of personal and family trading activities, subject to verification.

### 6. Ethical Conduct and Disciplinary Measures

Violations of the Company’s Code of Ethical Conduct by directors, managers, or authorized signatories will be handled in accordance with the Company Act, internal regulations, and publicly disclosed. Violations by investment personnel will be subject to disciplinary action under the Company’s reward and penalty system.

### 7. Information and Communication Equipment Control

- (1) Firewall Design:



Access rights are assigned based on job responsibilities. Changes in personnel trigger updates to system permissions. Passwords must be changed regularly.

Investment decision-making and execution are separated to maintain confidentiality and independence.

#### (2) Device Management:

Internet and communication device usage is restricted for investment personnel.

Devices such as phones, tablets, and laptops must be centralized stored during trading hours. Usage records are maintained and reviewed.

Internet access is restricted to prevent unauthorized trading.

#### 8. Education and Awareness

The Company's compliance unit must provide internal legal awareness or training on the prevention of insider trading to the compliance heads of each unit at least once a year. The relevant awareness documents and materials should be disseminated to employees of their respective units in an appropriate manner to ensure that all Company personnel fully understand and comply with relevant laws and regulations.

#### 9. Other Controls of Investment Interest Conflict:

(1) Equity managers must not execute opposing trades on the same stock within the same day.

(2) Asset allocation between policyholder and shareholder funds must follow principles of fairness and reasonableness.

#### 10. Disclosure of Conflict Incidents

The Company will disclose the nature and resolution of any significant conflict of interest incidents to customers or beneficiaries periodically or as necessary. If any major incidents occurred arise, the Company will report them and implement appropriate remedial measures.

#### 11. Responsibilities and Authority

The Company has established an Organizational Charter and a Tiered Responsibility Matrix to define roles and approval processes.

Clear segregation of duties ensures proper checks and balances in investment operations.

#### 12. Fair Compensation System



The Company maintains a fair and inclusive compensation system, ensuring equal opportunities regardless of gender, age, race, religion, political beliefs, or nationality.

### 13. Remedial Measures

In the event of a significant conflict incident affecting reputation or financial soundness, the Company will disclose the matter in the “Stewardship Principles” section of its website, including a summary of the incident and resolution.

#### **Principle 3: Continuous Monitoring of Investees**

To ensure acquisition of sufficient and effective information for evaluating the nature, timing, and extent of interactions with investees and to establish a solid foundation for investment decision-making, the Company has a responsible investment evaluation process. This includes analyzing ESG issues—environmental, social, and governance—monitoring news, financial performance, industry overview, management strategy, environmental protection, corporate integrity, and social responsibility to assess the investee’s sustainability strategy, risks, and opportunities.

#### **Principle 4: Appropriate Dialogue and Interaction with Investees**

The Company engages in appropriate dialogue and interaction with investee companies to better understand and communicate with their management regarding industry risks and strategic responses. The Company strives to reach consensus with investee companies on long-term value creation.

Where necessary, the Company may collaborate with other institutional investors to safeguard the interests of customers and beneficiaries and to promote the sustainable development of investee companies. The Company may also participate in relevant advocacy organizations focused on specific ESG issues to amplify the influence of institutional investors.

Engagement methods include conference calls, in-person meetings, participation in investor briefings, and attendance at shareholder meetings or extraordinary general meetings. If an investee company significantly violates corporate governance principles or poses risks to long-term customer and shareholder value, the Company will proactively inquire about the situation and may collaborate with other investors to express concerns.

In accordance with its Responsible Investment Process, the Company evaluates investment targets and counterparties using ESG risk assessment criteria. If a target fails to meet internal



standards, the Company will initiate engagement, communicate based on ESG evaluation items, and document the dialogue in an engagement report. The outcome of such interactions will inform subsequent investment decisions to ensure a positive impact on investee companies.

### **Principle 5: Establish Clear Voting Policy and Disclose Voting Practices**

The Company prioritizes the best interests of its customers and shareholders, while maintaining the stability and development of investee companies. In accordance with the Insurance Act and relevant regulatory interpretations, the Company conducts a thorough evaluation of all shareholder meeting proposals prior to attendance. A voting analysis report is prepared to determine whether to attend and how to exercise voting rights, subject to approval by the responsible authority. Engagement with investee company management may be conducted when necessary.

The Company has established a voting policy and adheres to the principle of actively attending shareholder meetings. Key procedures include:

#### **1. Proposal Content Assessment**

(1) **Materiality Assessment:** Proposals are carefully reviewed to determine whether they may significantly affect customer or shareholder interests, or involve major ESG issues under the Company's Responsible Investment Policy. If significant, communication with management is advised, and analysis is documented.

(2) **Attendance:** A voting analysis report is prepared and approved prior to attendance. For regular shareholder meetings with electronic voting options, voting is generally exercised unless specific exceptions apply:

The Company holds less than 5% of total shares and the investment cost is below NT\$10 million.

Other justified reasons approved by the designated authority.

(3) **Post-Meeting Disclosure:** Voting records for shareholder meetings are documented and reported to the Board of Directors.

#### **2. Voting Execution**

Voting decisions may include support, opposition, or abstention. The Company does not automatically support all proposals. Proposals that hinder sustainable development or violate the Responsible Investment Policy—such as those affecting environmental sustainability,



social responsibility, or corporate governance—are not supported. The following are situations and reasons for which will, in principle, abstain or vote against:

- (1) Abstention: Director and supervisor elections are abstained from, as insurance companies are prohibited from voting on such matters unless:

The investee qualifies as a public welfare investment.

The securities are traded on foreign exchanges or OTC markets.

- (2) Opposition: Proposals detrimental to sustainability, governance, or social responsibility are not supported.

Proposals that negatively impact shareholder rights, such as mergers, splits, restructuring, or delisting.

Financial statements that fail to disclose key information.

Proposals with integrity concerns or high conflict-of-interest risks.

Proposals that violate the Company's Investment Policy.

- (3) Support:

Proposals without the above concerns are supported to respect the investee's professional judgment and promote effective development.

- (4) Electronic Voting: Electronic voting is preferred for efficiency. Amendments or ad hoc motions during meetings are treated as abstentions. If attending in person after electronic voting, the vote must be revoked online at least two days prior; otherwise, the electronic vote prevails.

### 3. Delegation and Proxy Voting

- (1) The Company does not currently use proxy research or proxy voting services; all voting decisions are handled internally.

- (2) When exercising shareholder rights, the Company must not engage in share swaps, benefit transfers, or participate in investee company management through trust, delegation, or other agreements.

- (3) Neither the Company nor its subsidiaries may act as proxy solicitors or jointly solicit proxies with others.



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## **Principle 6: Periodic Disclosure of Stewardship Activities**

The Company regularly reviews its stewardship practices, conflict-of-interest policies, voting policies, and the effectiveness of its stewardship activities.

Disclosures are made through the Company's official website under the Stewardship Principles section. These include the compliance statement, shareholder meeting attendance and voting records, and other material matters related to stewardship execution.

Signed by CTBC Insurance Co., Ltd.

October 1, 2018

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