

# BANK OF PANHSIN

## 「 Stewardship Principles for Institutional Investors 」

### Statement of Compliance

Bank of Panhsin Co., Ltd. (hereinafter referred to as “the Bank” ), in conducting businesses authorized by the Banking Act and approved by the central competent authority, declares its statement of compliance with the Stewardship Principles for Institutional Investors (including stocks, bonds, and other investments).

Based on the overall interests of capital providers (including clients, beneficiaries, or shareholders of the Bank, hereinafter collectively referred to as “capital providers” ), the Bank is committed to implementing responsible investment through continuous monitoring and engagement with investee companies. In line with the principles of integrity and transparency, the Bank discloses its compliance with the Stewardship Principles annually. The status of compliance with the six principles is outlined as follows:

#### **Principle 1: Establish and Disclose Stewardship Policies**

The Bank’ s business objective is to maximize the interests of capital providers through banking operations.

1. Establishing internal controls, regulatory compliance, investment operations, and risk management mechanisms in accordance with the Banking Act and relevant regulations to fulfill its responsibilities as an institutional investor.
2. Pursuant to the Bank’ s “Financial Operations Guidelines,” investment decisions are based on thorough research and analysis. ESG (Environmental, Social, and Corporate Governance) factors are incorporated into the decision-making process to fulfill stewardship responsibilities.

Investments involving industries on the Bank' s negative list (e.g., non-charitable gambling, arms, pornography, deforestation of tropical rainforests, etc.) are excluded. Likewise, high-risk jurisdictions on the Bank' s AML/CFT country list are excluded. Instead, the Bank prioritizes sustainable and socially responsible investments to support opportunities in sustainable industries.

3. The stewardship approach, frequency, and scope are determined through regular Investment Committee meetings, with weekly follow-ups to enhance long-term benefits for capital providers.
4. For domestic public companies (listed, OTC, or public offering companies) where the Bank holds stocks or bonds exceeding NT\$300 million and with a holding period over one year, stewardship responsibilities are exercised. This includes monitoring company operations, attending shareholders' meetings, exercising voting rights, attending investor conferences, and engaging with company management when appropriate. °

## **Principle 2: Establish and Disclose a Policy on Managing Conflicts of Interest**

The purpose of conflict-of-interest management is to ensure that all employees act in the best interests of clients and shareholders. The Bank adheres to principles of prudent management and fiduciary duty, including prioritizing client/shareholder interests, avoiding conflicts of interest, prohibiting improper gains, and ensuring fairness.

To prevent conflicts of interest, the Bank has established a conflict-of-interest management policy, requiring employees to comply with operational procedures. Education, hierarchical

accountability, and supervisory controls are also implemented to prevent conflicts from arising.

### **Principle 3: Ongoing Monitoring of Investee Companies**

To ensure access to sufficient and effective information for sound investment decisions and engagement, the Bank monitors investee companies on aspects such as news, financial performance, industry trends, business strategies, and ESG issues.

Prior to investment, traders review the company' s annual reports, assess future risks and sustainability, and conduct interviews with company spokespersons or insiders to confirm ESG-related risks and opportunities. Before inclusion in the portfolio, the Bank also reviews the investee' s ESG rating on the Investor Relations platform. Companies with low ESG scores will not be added to the investment portfolio.

### **Principle 4: Engage in Constructive Dialogue with Investee Companies**

The Bank engages in dialogue with investee companies to understand risks, strategies, and long-term value creation. Communication primarily takes place through participation in investor conferences, annual general meetings, or extraordinary shareholders' meetings.

When an investee company is found to have significant violations of corporate governance principles or risks harming long-term shareholder value, the Bank may raise inquiries or express concerns to management, collaborate with other investors to voice demands, or participate in ESG-related advocacy groups to enhance institutional investor influence.

## Principle 5: Establish and Disclose a Clear Voting Policy and Voting Records

To maximize capital providers' interests and fulfill stewardship responsibilities cost-effectively, the Bank actively participates in shareholder meetings and interacts with investee company management. Voting decisions are made based on thorough evaluation and the Bank's established voting policies.

If a company's proposals significantly violate corporate governance principles or ESG standards, potentially harming shareholder rights, the Bank may raise concerns with management and express dissent through voting or shareholder proposals. The Bank records and analyzes its voting decisions, including reasons for supporting, opposing, or abstaining from major resolutions, to meet disclosure objectives.

The Bank does not use proxy research or proxy voting services; all research and voting decisions are conducted by its in-house research and trading team.

## Principle 6: Regular Disclosure of Stewardship Activities

The Bank regularly discloses stewardship practices on its website, including the compliance statement, internal governance structure, participation in shareholder meetings, voting records, and other significant matters.

Statistics on engagements with investee company management and case follow-ups, upon approval by the General Manager, are also published on the Bank's stewardship webpage to fulfill institutional investor governance responsibilities.

Signed

Bank of Panhsin Co., Ltd.

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