

# **Statement on Adherence to the "Stewardship Principles for Institutional Investors"**

Nanshan Life Insurance Co., Ltd. (hereinafter referred to as "Nan Shan Life"), founded in 1963, is one of Taiwan's longest-standing life insurance companies and has been deeply rooted in Taiwan for over half a century, upholding the philosophy that insurance is a "public service industry." We are dedicated to fulfilling our corporate social responsibility to clients, shareholders, employees, and stakeholders, integrating sustainable concepts with our core business operations to strengthen our foundation for long-term sustainability and build an inclusive society in Taiwan.

To implement our corporate sustainability philosophy and align with international trends, Nan Shan Life's Board of Directors decided in 2015 to incorporate Environmental, Social, and Corporate Governance (ESG) responsible investment principles into our "Comprehensive Investment Policy". This policy ensures that our investment targets fulfill their environmental protection, corporate integrity, and social responsibilities, aligning the use of funds with social expectations. Since 2020, Nan Shan Life has progressively integrated ESG factors into investment evaluations using an international ESG database and encouraged investee companies to join the responsible investment movement.

As an institutional investor, we have a significant impact on the market and the companies we invest in. We hereby declare our adherence to the six principles of the "Stewardship Principles for Institutional Investors". Our adherence is detailed as follows:

## **Principle 1: Establish and disclose stewardship policies**

As we pursue long-term corporate sustainability, we aim to create sustainable value for the economy, the environment, and society. To achieve this, we uphold our "public service industry" philosophy and have established and disclosed our stewardship policy to fulfill our stewardship responsibilities. The main contents are as follows:

1. As a long-standing player in the Taiwanese insurance market, we not only provide caring services and comprehensive, innovative products but also utilize our own funds and reserve funds for investment. To

strengthen asset management, effectively control fund utilization risks, and ensure solvency, we have established relevant internal operational regulations, including a "Comprehensive Investment Policy", "Investment Policy Guidelines", and "Investment Management Guidelines", to protect clients' rights and fulfill our long-term commitments to clients and shareholders.

2. To reduce overall portfolio risk and enhance investment returns, our asset allocation and investment decisions are based on changes in the market environment. We also refer to asset-liability relationships, risk tolerance, long-term risk-return requirements, liquidity, and solvency as the basis for our decision-making, with the goal of increasing the long-term interests of clients, shareholders, employees, and stakeholders.
3. As we pursue corporate sustainability, we aim to create sustainable value for the economy, the environment, and society by incorporating Environmental, Social, and Corporate Governance (ESG) into our investment policy. We consider whether investee companies fulfill their environmental protection, corporate integrity, and social responsibilities, and we refuse to invest in companies that have a negative impact on society, such as those involved in gambling, pornography, or the proliferation of war. The list of unsuitable companies is updated annually during the review of our investment policy. Furthermore, we incorporate ESG into our risk management and analysis of investment cases to ensure our funds allocation aligns with societal expectations.
4. To further strengthen the implementation of social investment responsibility principles, we continue to execute negative screening of unsuitable investee companies. We also progressively incorporate positive factors into our investment evaluation using an international ESG database and encourage investee companies to follow suit. This is explicitly stipulated in our "Comprehensive Investment Policy".
5. We assess the investment's purpose, costs and benefits, and the materiality of specific issues. Based on the type, extent, and frequency of information we monitor, we communicate with the management of investee companies through conference calls, meetings, participation in corporate investor conferences, annual general meetings, and important extraordinary general meetings to

understand the risks and strategies facing the industry and to protect the rights and interests of our clients and shareholders.

6. The status of Nan Shan Life's stewardship activities is disclosed annually in the Institutional Investor Stewardship section under the Corporate Sustainability tab on the Company's official website.

**Principle 2: Establish and disclose policies on managing conflicts of interest**

1. Upholding our corporate philosophy as a public service industry and based on the best interests of our clients or beneficiaries, Nan Shan Life has established various policies for managing conflicts of interest, defining the types of conflicts of interest and their management methods.
2. The types of conflicts of interest managed by Nan Shan Life include, but are not limited to, the following:
  - A. Nan Shan Life engages in transactions or investments that are detrimental to clients or shareholders for its own private gain.
  - B. Nan Shan Life engages in transactions or investments that are detrimental to other clients, shareholders, or stakeholders for the benefit of a specific client or shareholder.
  - C. Conflicts of interest arising from non-routine transactions between Nan Shan Life and stakeholders.
  - D. A conflict of interest arises when an employee uses confidential information obtained through their position about the company's domestic equity trading activities to engage in personal trading of domestic equity products.
  - E. An employee directly or indirectly accepting benefits from a counterparty, intermediary, or other party through their position.
3. To prevent and manage conflicts of interest, Nan Shan Life has established the "Employee Code of Conduct", " Regulations for Lending Transactions Involving Stakeholders", " Regulations for Non-Lending Transactions Involving Stakeholders", " Regulations for Personal Investment and Trading by Personnel Involved in Domestic Equity Investments", " Guidelines on the Offering or Acceptance of Benefits by Investment Personnel", " Guidelines on Agreed

Transactions between the Investment Function and Trading Counterparties", and "Investment Management Guidelines". These documents define the behavioral standards that employees must follow, including legal and regulatory requirements and internal policies, when performing their duties. They include control mechanisms and compliance requirements for lending and non-lending transactions with stakeholders, and they control the personal investment activities of investment-related personnel to prevent conflicts of interest or the use of company information for personal gain. Nan Shan Life absolutely prohibits improper business gifts and entertainment. To establish a conflict of interest firewall, Nan Shan Life conducts centralized market equity trading through an independent trading room, separating investment decisions from trading execution. The trading room is also secured with independent access control to prevent entry by unauthorized personnel. Furthermore, to ensure employees' understanding and practice of the "Employee Code of Conduct", Nan Shan Life regularly conducts relevant training to ensure all employees are fully aware of and comply with conflict of interest prevention.

4. Nan Shan Life annually reviews employee salary levels by considering the company's operational status and referencing market salary information and industry benchmarks. We have also established the "Employee Performance Management Guidelines", which govern the issuance of individual performance bonuses based on a comprehensive consideration of the company's operational status and the performance of various functions, departments, and individuals. A retention mechanism for high-performing managers is also in place to ensure the achievement of Nan Shan Life's long-term goals and prevent managers from pursuing compensation in ways that exceed the company's risk appetite.
5. We continuously strengthen and implement cybersecurity protection mechanisms:
  - A. We adopt the most stringent principle of "default-deny" for all external connections to create firewall rules that block all incoming channels. If an opening is required, it must be applied for and can only be granted after a review of data transmission security and an assessment that the protection mechanisms on both sides are secure.

- B. We regularly perform Vulnerability Scanning to check for weaknesses or flaws in web server configurations, network service programs, unpatched operating system vulnerabilities, general application vulnerabilities, firewalls, or routers.
  - C. We deploy an internet behavior management system to proactively block threats, including malicious websites, P2P transmissions, spyware, viruses, worms, and Trojan horse backdoors. All internal company computers are authenticated and authorized before browsing external websites to reduce the risk of internal system damage.
  - D. Two layers of heterogeneous firewalls and an intrusion detection system are installed at the exit points connecting the internal and external networks, with a dedicated person assigned to manage them.
6. In addition, Nan Shan Life ensures that employees do not, whether by using their authority or by taking advantage of opportunities arising from the performance of their duties, seek improper benefits or advantages for themselves, their family members, or any third parties. This is achieved through employee training, a clear division of responsibilities, and robust information control mechanisms, all aimed at preventing conflicts of interest. We remain committed to fulfilling our mission as a “public service industry” with a sincere and humble professional attitude, wholeheartedly dedicated to serving our clients and caring for society.

### **Principle 3: Regularly monitor investee companies**

To implement responsible investment, our Company assesses the social and environmental impact of potential investee companies during the investment process. We select enterprises with a promising outlook for sustainable development, which not only benefits our clients, shareholders, and employees but also drives a positive cycle for society, the environment, and the economy, thereby improving the overall corporate governance of domestic companies.

Furthermore, our Company continuously monitors the corporate governance practices of our investee companies, including relevant news, financial performance, industry overview, business strategies, environmental actions, social responsibility, and labor issues. We track

their performance in Environmental, Social, and Corporate Governance (ESG) to stay up-to-date on their latest status and fulfill our responsibilities as an institutional investor.

**Principle 4: Maintain an appropriate dialogue and interaction with investee companies**

Our Company engages in appropriate communication with the management of investee companies through conference calls, in-person meetings, and participation in investor conferences, annual general meetings, and extraordinary general meetings to better understand the risks and strategies facing their industries.

When an investee company has a significant breach of corporate governance in relation to a specific issue, or if it could potentially damage the long-term value of our clients and shareholders, our Company will immediately engage with the company's management to assess the situation. We do not rule out the possibility of collaborating with other investors to collectively express our concerns, thereby demonstrating our commitment to responsible investment through concrete action.

**Principle 5: Establish and disclose clear voting policies and voting results**

1. To ensure that the exercise of shareholder rights aligns with the maximum interests of clients and shareholders, the Company has established a clear voting policy. This policy outlines the principles for prudently evaluating resolutions proposed at investee companies' shareholders' meetings, the approval procedures required for exercising voting rights, and stipulates that voting shall be primarily conducted through electronic voting, supplemented by physical attendance or proxy voting when necessary. All voting records are documented and reported to the Board of Directors. The Company discloses its annual voting activities on the Company's official website.
2. In fulfilling its duty as a prudent manager of insurance funds, the Company's investment team follows internal procedures and applies its professional investment expertise to assess the potential impact of each resolution on the investee company and the Company. For all proposals required to be voted on, an evaluation report is prepared and voting participation is ensured. Except for resolutions where voting is legally restricted, the Company exercises its voting rights via

electronic voting, in-person attendance, or proxy, upon obtaining appropriate internal approval.

3. As a financial investor, the Company generally does not interfere with the operational decisions of its investee companies. However, it does not automatically support all proposals submitted by management. Each resolution is prudently evaluated to determine whether to support, oppose, or abstain. If a proposal is deemed clearly inappropriate, detrimental to the interests of clients and shareholders, or if sufficient information is not available to make an informed decision, the Company may vote against or abstain. The Company abstains from voting on proposals for the election or re-election of directors and supervisors of investee companies.

**Principle 6: Periodically disclose the status of fulfilment of stewardship responsibilities**

Nan Shan Life highly values communication with and feedback from our clients and other stakeholders. We regularly disclose the status of our stewardship activities in the Institutional Investor Stewardship section under the Corporate Sustainability tab on the Company's official website ([https://www.nanshanlife.com.tw/public\\_promotion/subject/ESG/stewardship/statement.html](https://www.nanshanlife.com.tw/public_promotion/subject/ESG/stewardship/statement.html)), including this adherence statement, our attendance at and voting records for investee company shareholder meetings, and other significant matters. This is to fulfill our responsibility as an institutional investor, become the best asset management insurance company, and share the investment returns with our clients, shareholders, and the public.

**Signatory**

Nanshan Life Insurance Co., Ltd

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