

Stewardship Principles for Institution Investors

The Code was enacted at the 11th board meeting of the 15th board on October 26, 2020

Chapter 1. General Provisions

- Article 1 In order to enhance the overall interests of fund providers to the company (including entrusted clients, beneficiaries, or bank shareholders), through processes such as attention, dialogue, and interaction with the invested companies, to encourage improvements in corporate governance quality, and drive positive development in the industry, economy, and society as a whole, this code is formulated with reference to the “Institutional Investor Stewardship Principles” of Taiwan Stock Exchange Corporation.
- Article 2 The Company’s practices of stewardship governance should be based on the following principles:
1. Formulate and disclose stewardship governance policies.
 2. Formulate and disclose conflict of interest management policies.
 3. Continuously monitor invested companies.
 4. Engage in appropriate dialogue and interaction with invested companies.
 5. Establish and disclose clear voting policies and disclose voting records.
 6. Regularly disclose the implementation of stewardship governance.

Chapter 2. Stewardship Governance Policies

- Article 3: The Company’s main business is to conduct banking operations approved by the competent authority. When investing with its own funds, or acting as a trustee with decision-making authority over trust assets, or serving as a director or supervisor of invested companies, the company will engage in stewardship governance actions based on the overall interests of fund providers to participate in the corporate governance of invested companies.
- Article 4: The Company may decide the methods, extent, and frequency of stewardship governance actions based on investment purposes, benefits, and the impact on the sustainable development of the enterprise. Stewardship governance actions include monitoring the operating status of invested companies, attending shareholders’ meetings, exercising voting rights, engaging in dialogue and interaction with the management of invested companies, and other relevant methods.
- Article 5: The Company will consider the factors of environmental, social, and corporate governance in the sustainable business operations of invested companies, integrate them into the investment process and decision-making, and promote the sustainable development of invested companies through stewardship governance actions, thereby enhancing the long-term interests of stakeholders.

Chapter 3. Conflict of Interest Management Policies

Article 6: To ensure that the company conducts business based on the interests of fund providers and to avoid conflicts of interest, a conflict of interest management policy is established.

Article 7: Patterns of conflicts of interest may include situations:

1. The company or its employees engage in transactions or investments for their own benefit, which may be detrimental to clients or shareholders.
2. The company may also prioritize the interests of specific clients or shareholders over others.

Article 8: The company has established “King’s Town Bank Procedures for Ethical Management and Guidelines for Conduct,” “King’s Town Bank Co., Ltd. Code of Ethical Conduct,” “King’s Town Bank Ethical Corporate Management Best Practice Principles,” and other internal control operation processing procedures. These documents specify the legal regulations and internal policy standards that the company and its employees must adhere to while performing their duties. Conflict prevention is achieved through the following management methods:

1. Education and advocacy: Regularly conduct integrity operation-related education and training for directors, senior management, and all employees.
2. Confidentiality mechanism: Directors, managers, and employees of the company should perform their duties with the care and fiduciary duty of a prudent manager, adhere to the principles of honesty and credit, and sign confidentiality agreements.
3. Firewall design: Adequate protection should be provided for internal major information files when transmitted in writing. When transmitted via email or other electronic means, appropriate encryption or electronic signature security technologies should be used.
4. Information management: According to the company’s “Information Security Policy” and related operational processing procedures, protect the confidentiality, integrity, and availability of the company’s information assets.
5. Stakeholder control mechanism: The company has formulated “Credit Management Measures for Transactions with Subsidiaries” and “Measures for Dealing with Transactions Other Than Credit Transactions with Stakeholders,” specifying the subjects and norms to be followed in various business transactions.

Chapter 4. Continuous Monitoring of Invested Companies

Article 9: The Company shall continuously monitor invested companies to assess the impact of relevant information on the long-term value of invested companies, clients, or shareholders. This assessment will determine the further dialogue, interaction methods, and timing with invested companies, serving as a reference for future investment decisions.

Article 10: The Company may consider the purpose of investment, benefits, and the impact on the sustainable development of the enterprise to decide the types, extent, and frequency of information to be monitored. The types of information may include industry overview, opportunities and risks, shareholder structure, business strategy, operational status, financial performance, cash flow, etc. Additionally, environmental, social, and corporate governance information will be included to understand the sustainable development strategy of invested companies.

Chapter 5. Appropriate Dialogue and Interaction with Invested Companies

Article 11: The purpose of dialogue and interaction with invested companies is to gain a deeper understanding of and express opinions on significant issues of concern, thereby strengthening corporate governance.

Article 12: The Company may decide on the methods and timing of dialogue and interaction with invested companies based on the purpose of investment, benefits, the impact on sustainable business development, and the significance of specific issues of concern. Methods of dialogue and interaction include written or oral communication with the management, expressing opinions at shareholders' meetings, proposing shareholder meeting resolutions, and participating in shareholder voting.

Article 13: The Company may, when necessary, collaborate with other institutional investors to safeguard the rights and interests of clients or shareholders and enhance the sustainable development of invested companies. It may also participate in relevant advocacy organizations for specific environmental, social, and corporate governance issues to collectively expand and exert the influence of institutional investors.

Article 14: The Company will consider the impact of interactions and negotiations on the invested companies and plan the future methods and areas of concern for further dialogues. This information will be considered as one of the factors in future investment decisions.

Chapter 6. Voting Policy

Article 15: The Company shall exercise the voting rights at shareholders' meetings of invested companies in accordance with the law for the maximum benefit of fund providers.

Article 16: The Company's internal decision-making process and the delegation of personnel to exercise voting rights at shareholders' meetings shall be conducted in accordance with the company's internal regulations.

Article 17: For investments using its own funds or acting as a trustee with decision-making authority over trust assets, when holding domestic company stocks for more than one year and the investment amount exceeds NT\$10 million, and holding 3% or more of the issued shares or NT\$300 million or more of the domestic company's stocks accounted as "Financial Assets at Fair Value through Other Comprehensive Income" (FVOCI), the company, upon receiving a notice of the invested company's shareholders' meeting, shall conduct the relevant voting procedures and retain relevant records.

Article 18: The exercise of voting rights for held stocks may be done in writing or electronically in accordance with Article 177-1 of the Company Act. If the shareholders' meeting of the invested company adopts electronic voting, the company shall use electronic voting for exercising voting rights unless there is a need to attend the meeting in person for specific business cases.

Article 19: Before exercising voting rights, the company will carefully assess each agenda item and, if necessary, communicate with and understand the management.

Article 20: To respect the professional management of invested companies and promote their effective development, the company generally supports proposals put forth by the management. However, proposals that violate corporate governance or have negative impacts on the environment, society, hindering the sustainable development of the invested company, will not be supported, and support for management proposals is not absolute.

Chapter 7. Regular Disclosure of Stewardship Governance Performance

Article 21: The Company shall periodically review stewardship governance policies, conflict of interest policies, voting policies, and the performance of stewardship governance to serve as a basis for evaluating stewardship governance actions.

Article 22: The Company shall publish a stewardship governance report on its website or disclose the performance of stewardship governance in its annual report at least once a year. The content shall include:

1. Declaration of adherence to the Institutional Investor Stewardship Principles and explanations for any non-compliance.
2. Internal resources invested and organizational structure for implementing stewardship governance.
3. Statistics on the frequency of negotiations.

4. Attendance or delegation of attendance at invested company shareholders' meetings.
5. Annual summary of voting.
6. Summary of significant conflict of interest events, including the background and handling methods.
7. Channels for stakeholders to contact the company.
8. Other significant matters.

Chapter 8. Supplementary Provisions

Article 23: Any matters not covered by this code shall be handled in accordance with the regulations of the competent authority and the relevant regulations of the company.

Article 24: This code shall be implemented upon approval by the board of directors and shall also apply to amendments.