Mega International Commercial Bank Stewardship Guidelines

2018.6.22 Established at the 37th meeting of the 15th Board of Directors
2019.2.22 Amended under delegated authority
2020.12.4 Amendments approved at the 29th meeting of the 16th Board of Directors
2024.9.6 Amendments approved at the 38th meeting of the 17th Board of Directors
2026.8.7 Amendments approved at the 18th meeting of the 18th Board of Directors

Article 1 (Purpose)

Mega International Commercial Bank (hereinafter referred to as the “Bank”) hereby establishes the Mega International Commercial Bank Stewardship Guidelines (hereinafter referred to as the “Guidelines”) to comply with the Stewardship Principles for Institutional Investors issued by the Taiwan Stock Exchange Corporation, leverage the expertise and influence of institutional investors, duly fulfill the responsibilities of an asset owner or manager, enhance the overall interests of capital providers (including clients who have entrusted funds to the Bank and the Bank’s shareholders) and beneficiaries, and promote the sustainable development of the Bank’s investee companies in environmental, social, governance (hereinafter referred to as “ESG”), and other areas.

Article 1-1 (Responsible Unit)

The Direct Investment Department shall be the responsible unit for these Guidelines, while the Direct Investment Department, Treasury Department, and Trust Department shall be the implementing units. Where any matter set forth in the Guidelines requires amendment due to a change in the entities or scope subject to monitoring, the relevant implementing unit shall process the amendment in consultation with the responsible unit.

Article 2 (Entities and Scope Subject to Monitoring)

When the Bank, in accordance with The Banking Act of The Republic of China, other applicable laws and regulations, and directives issued by the Financial Supervisory Commission, invests its proprietary funds—or trust assets in its capacity as a trustee with discretionary authority over the utilization of such assets—in domestic equities, bonds, investment properties, or other assets, it shall consider the ESG risks and performance of its investee companies and integrate such considerations into its investment processes and decision-making. The Bank shall thereby carry out its stewardship activities, enhance the value of its investments, and promote the sustainable and sound development of its investee companies.

Based on the investment objectives, materiality, costs, and benefits, the Bank has established the following entities and scope subject to monitoring under the Guidelines:

1. Domestic equity investments made using the Bank's proprietary funds:
   (1) Shares invested in pursuant to Article 74-1 of The Banking Act of The Republic of China (without debt or option features) and held for more than one year, where the investment amount is at least NT$300 million or the shareholding exceeds 5%.
   (2) Innovation and guidance investments and venture capital investments made pursuant to the Mega International Commercial Bank Guidelines for Innovation and Guidance Investment and Venture Capital Business, and general investments made pursuant to Article 74 of The Banking Act of The Republic of China.
2. Investments made using the Bank's proprietary funds in bonds issued by domestic issuers (without option features): issuing companies in whose bonds the Bank has invested an amount exceeding 1% of its calculation basis. The term "calculation basis" means the calculation basis specified in the Directions Governing Limitations on Types and Amounts of the Securities in Which a Commercial Bank May Invest.
3. Domestic equity investments, bonds, and investment properties held among trust assets by the Bank in its capacity as a trustee with discretionary authority over the utilization of such assets, where the assets have been held for more than one year and have a value of at least NT$300 million or represent a shareholding of more than 5%.

For the foregoing business activities, the Bank has established relevant investment guidelines and operating procedures. The procedures for investment analysis, decision-making, execution, modification, and review have also been incorporated into the Bank's internal control system.

Article 3 (Implementation method)

The Bank shall take the following measures during the development, evaluation, investment decision-making, and management stages:

1. Actively support enterprises committed to environmental protection or social responsibility, and develop and provide relevant green and sustainable development products and services.
2. Assess the social and environmental risks and ethical corporate

management practices of potential investee companies. In principle, the Bank shall not invest in a potential investee company under any of the following circumstances:

(1) Environmental: There is concrete evidence that the company has failed to fulfill its environmental protection responsibilities and has caused serious damage to the environment or ecosystems.

(2) Social: There is concrete evidence that the company has failed to fulfill its corporate social responsibilities and has engaged in activities or incidents detrimental to the public interest; or that it has engaged in conduct or been involved in incidents concerning money laundering, terrorist financing, or human rights violations.

(3) Corporate governance: There is concrete evidence that the company has violated the principles of legality or ethical management, or has engaged in dishonest conduct or activities (such as operating in an industry with a high risk of bribery or having previously been involved in bribery, illegal political contributions, or other dishonest conduct).

3. The Bank's stewardship activities shall include, but not be limited to, the following:

(1) To safeguard the investment interests of capital providers or beneficiaries, the Bank shall proactively remain informed of developments at its investee companies through engagement methods such as participating in meetings of their boards of directors (supervisors), shareholders' meetings, and investor conferences; conducting periodic (ad hoc) visits; and engaging in appropriate dialogue and interaction with their management.

(2) For innovation and guidance investments, venture capital investments, and general investments made pursuant to Article 74 of The Banking Act of The Republic of China, the matters concerning investee companies monitored by the Bank shall include, but not be limited to, industry conditions, opportunities and risks, shareholder structure, business strategies, operating conditions, financial position, financial performance, environmental impacts, social issues, and corporate governance. This enables the Bank to understand the sustainable development strategies of its investee companies and track the effectiveness of their ESG implementation.

(3) Before investing in domestic equities or bonds issued by domestic issuers, the Bank shall incorporate ESG factors into its investment

evaluation and decision-making and impose investment limits on high-carbon industries to reduce carbon emissions attributable to its investments and its exposure to climate change risks. After investing, the Bank shall regularly monitor ESG-related issues concerning its investees and changes in their ESG risks as a basis for subsequent investment decisions, while encouraging investees to give due attention to ESG issues.

The Bank shall pay close attention to the impact of its interactions and engagement on investee companies, formulate plans and identify matters of concern for future engagement, and use the resulting findings to inform subsequent investment decisions.

Article 4 (Types of Conflicts of Interest)

Conflicts of interest may include the following circumstances:

1. The Bank or its employees make decisions or take actions for their own benefit that are detrimental to capital providers or beneficiaries.
2. The Bank or its employees make decisions or take actions for the benefit of a specific capital provider or beneficiary that are detrimental to other capital providers, beneficiaries, or stakeholders.
3. The Bank's employees, for their own benefit, sacrifice the interests of capital providers, beneficiaries, or investee companies, thereby causing the Bank to incur unreasonable expenses or costs.

Article 5 (Standards of Conduct for Internal Personnel)

The Bank shall prevent conflicts of interest and insider trading through mechanisms such as tiered delegation of responsibilities, information controls, and supervisory controls. In addition, when handling matters related to the Guidelines, relevant personnel of the Bank shall comply with the Mega International Commercial Bank Principles for Ethical Management, the Mega International Commercial Bank Employee Code of Conduct, the Mega International Commercial Bank Guidelines Governing the Conduct of Personnel Involved in Trading, and other applicable rules.

Article 6 (Avoidance of Financial Entanglements)

Relevant personnel of the Bank involved in transactions governed by the Guidelines shall avoid financial entanglements with clients who have entrusted funds to the Bank, beneficiaries, or investee companies. Unless otherwise stipulated or approved by the Bank, such personnel may not act as a guarantor for any such client, beneficiary, or investee company. If they become aware that any such client, beneficiary, or investee company intends to evade taxes or engage in illegal activities, they may not provide any assistance.

Article 7 (Controls over Transactions with Interested Parties)

Before conducting any transaction governed by the Guidelines, the Bank shall check whether the counterparty is an interested party specified in Article 45 of the Financial Holding Company Act, a substantive related party of the financial holding company, or a substantive related party of the Bank. If the counterparty is any of the aforementioned interested parties or substantive related parties, the terms of the transaction may not be more favorable than those offered to other comparable counterparties, and the transaction may be conducted only after it has been approved by at least three-quarters of the directors present at a Board meeting attended by at least two-thirds of the Bank's directors.

Where a director or managerial officer of the Bank, or any other interested party attending or sitting in on a Board meeting, has an interest in an agenda item, either personally or on behalf of the juristic person they represent, they shall disclose the material details of that interest at the Board meeting. If the interest is likely to be detrimental to the Bank's interests, they may neither participate in the discussion nor vote on the item, shall recuse themselves during its discussion and voting, and may not exercise another director's voting rights as proxy. Directors shall also exercise self-discipline and may not improperly support one another.

Article 8 (Reporting Conflicts of Interest)

When carrying out business related to the Guidelines, if any personnel of the Bank discovers a conflict of interest involving themselves or the juristic person they represent, or a situation in which they, their spouse, parents, children, or any person with whom they have a relationship of interest may obtain improper benefits, they shall simultaneously report the relevant circumstances to their immediate supervisor and the Bank's dedicated unit. The immediate supervisor shall provide appropriate guidance.

Article 9 (Principles Governing the Exercise of Shareholder Rights)

The Bank's internal decision-making procedures concerning attendance at investee companies' board of directors and shareholders' meetings and the designation of personnel to exercise voting rights shall be conducted in accordance with the Bank's relevant internal rules as follows:

1. The Bank shall exercise its shareholder rights based on the overall interests of capital providers, beneficiaries, and investee companies.
2. Pursuant to the Mega International Commercial Bank Guidelines for the Selection and Appointment of Equity Representatives to Investee Companies, where the Bank serves as a director or supervisor of an investee company, the candidate to serve as its juristic-person representative director or supervisor shall be appointed after submission to and approval by the Chairman. When an investee company convenes a shareholders' meeting, the Bank may designate personnel to attend as its representative and exercise shareholder rights in accordance with the conditions approved by the Bank. Relevant records shall be retained for future reference.
3. To respect the management expertise of investee companies and promote their effective development, the Bank shall, in principle, support proposals submitted by management if, following careful evaluation, they are found to serve the overall interests of the parties specified in Subparagraph 1. However, the Bank shall, in principle, oppose proposals under any of the circumstances specified in Paragraph 2 of Article 9-1.
4. The Bank shall carefully evaluate each proposal in accordance with the Guidelines to determine how to appropriately express its views and exercise its voting rights at investee companies' board of directors and shareholders' meetings. Voting rights at shareholders' meetings shall also be exercised in accordance with Article 9-1 of the Guidelines. Where necessary, the Bank's equity representatives may seek information from and communicate with the management of an investee company before the investee company's board of directors or shareholders' meeting.
5. Where a resolution differs from the Bank's position, the equity representative shall express the Bank's position and request that the investee company record it in the meeting minutes. If there was insufficient time to obtain approval of the Bank's position before the meeting, the written meeting record concerning the exercise of voting rights shall be reported to the level of management with approval authority.
6. If matters raised in engagement with an investee company continue to receive no response, the engagement is unsuccessful, the investee company has poor sustainability performance, or the rights and interests of the Bank or capital providers are adversely affected, the Bank shall study and formulate appropriate countermeasures and communicate its position and expectations to the investee company. Where necessary, the Bank may collaborate with other institutional investors to communicate their shared

expectations.

The responsible unit shall retain for five years, for future reference, all records relating to the Bank’s participation in investee companies’ meetings of the boards of directors (supervisors) and shareholders’ meetings and its exercise of voting rights.

Article 9-1 (Voting Principles)

The ESG proposals at shareholders’ meetings supported by the Bank shall be those that promote the ESG performance of investee companies while enhancing long-term shareholder value. ESG proposals shall be defined in accordance with the engagement topics set forth in the Mega Financial Holding Co., Ltd. Engagement Policy.

The Bank shall, in principle, oppose any proposal that violates the principles of corporate governance (such as one involving fraudulent financial reporting, money laundering, or bribery) or has negative environmental or social impacts (such as environmental pollution, human rights violations, or the deprivation of workers’ rights).

Article 10 (Voting Policy)

The Bank shall exercise its voting rights in writing or by electronic means in accordance with the Company Act. Where an investee company adopts electronic voting for its shareholders’ meeting, electronic voting shall be the preferred method unless in-person attendance at the shareholders’ meeting is required for business purposes.

When exercising its voting rights, the Bank shall clearly specify in the letter of appointment its voting instructions for each proposal, except where the voting rights are exercised electronically and no letter of appointment is required.

If the Bank engages a proxy advisory firm or another service provider to provide a recommendation report, it shall nevertheless conduct a comprehensive evaluation in accordance with the Guidelines before exercising its voting rights.

Article 11 (Periodic Disclosure)

The Bank shall properly document its implementation of stewardship, periodically review its stewardship policy, conflict-of-interest policy, voting policy, and implementation of stewardship, and assess the effectiveness of its stewardship activities.

The Bank shall disclose a stewardship report on its website annually and include a link to the report in its annual report. The stewardship report shall include:

1. The Statement of Compliance with the Stewardship Principles for Institutional Investors and an explanation of any principles with which the Bank is unable to comply;
2. The status and number of the Bank’s engagements with the management of investee companies in implementing stewardship;
3. Cases of collaboration with other institutional investors;
4. The Bank’s attendance, whether directly or by proxy, at investee companies’ shareholders’ meetings;
5. An annual summary of voting results (including votes for, against, and abstentions on each category of proposals submitted by investee companies, together with the reasons for supporting, opposing, or abstaining from voting on material proposals); and
6. Other material matters (such as any material conflict-of-interest incident occurring during the preceding year).

Article 12 (Training)

The Bank shall provide appropriate training to personnel and supervisors who perform the relevant business activities to ensure that the Bank implements the applicable stewardship principles.

Article 13 (Matters Not Covered)

Any matters not covered by the Guidelines shall be handled in accordance with the laws and regulations of the government agencies and the Bank’s relevant internal rules.

Article 14 (Level of Approval)

The Guidelines shall take effect upon approval by the Board of Directors. The same shall apply to any amendment or repeal.