

# **China Life Statement of Compliance with the Stewardship Principles for Institutional Investors**

Signatory: China Life Insurance Co., Ltd  
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The core business of China Life Insurance Co., Ltd (hereinafter referred to as the “Company”), an asset owner, is life insurance. The Company complies with the Stewardship Principles for Institutional Investors as per the following 7 principles:

## **Principle I. Formulate and disclose stewardship policies**

The Company conducts life insurance businesses and uses self-owned funding and reserves to invest. To fulfill corporate sustainable development and management, stewardship policies are formulated as follows:

- (1) The Company stipulates its investment policy in accordance with the “Self-Regulatory Guidelines for Asset Management of the Insurance Companies”. The investment strategies put asset/liability management as the core, underscoring asset/liability matching. In terms of the selection of investment targets, the Company has long adopted an investment principle that focuses on asset-liability matching, and select issuers with good credit rating, instead of taking high risks for high yields.
- (2) Through stewardship activities, the Company includes environmental, social and governance (ESG) elements into its investment decision evaluation process, in order to increase the long-term value of investments, as well as the long-term interests of the Company itself, its customers, shareholders, and other stakeholders.
- (3) The Company shall determine the method, degree and frequency of stewardship activities based on the investment purpose, investment returns and impacts on corporate sustainability. Stewardship activities may contain, but not limit to: By participating in investees’ analyst calls and shareholders’ meetings, and conducting irregular visits to the

management of the investees or through conference calls, the Company is able to continue monitoring investees' business and financial situation.

- (4) When evaluating ESG information of investee companies based on metrics and standards of different asset types, the Company conducts evaluation on investee companies to see if they have fulfilled their obligations in environmental protection, corporate integrity and social responsibility, hoping to practice corporate sustainability
- (5) Currently, exercising relevant voting rights is handled by internal investment units of the Company. If part of the stewardship activities (e.g. to provide voting advice or to cast proxy votes) are outsourced to other service providers, the Company must, through effective communications, agreements or monitoring, ensure that service providers act in accordance with its requests.
- (6) The Company discloses and updates its results of executing stewardship on the Company website annually.

#### **Principle II. Formulate and disclose policies on managing conflicts of interest**

To fulfill commitments to customers and safeguard shareholders' equity, the Company has formed the Integrity and Ethics Management Committee under the Board of Directors, which has been converted into a functional committee to demonstrate the Company's emphasis in this area. The Company also formulated internal regulations such as "Corporate Governance Principles", "Ethical Corporate Management Principles" and "Code of Conduct for Ethical Corporate Management" to identify, supervise and manage potential dishonest behaviors as a result of conflicts of interest.

In the execution of the Company's businesses, potential conflicts of interest shall contain, but not limit to that between the Company and its customers, the Company and employees, employees and customers, the Company and associated companies, etc.

Management of conflicts of interest:

- (1) Training implementation:

1. Employees of the Company should follow the “Ethical Corporate Management Principles” and the “Code of Conduct for Ethical Corporate Management”. Every year, the Company periodically conducts online training to educate the employees on the topic of ethical corporate management, in order to enhance their understanding of ethical behavior. The training course aims to strengthen the employees’ understanding of conflicts of interest, and training content includes prohibition of insider trading and part-time work, as well as prevention of conflicts of interest. In case any employee of the Company is involved in businesses, investments or relevant activities that may construct conflicts of interest between the individual and the Company, he or she should proactively disclose details beforehand to his or her unit supervisor or associated units and acquire permission, in order to avoid situations that may potentially cause conflicts of interest.
2. To implement the Company’s ethical corporate management policy, relevant regulations of ethical corporate management are disclosed on the corporate website. In addition, every month, information and articles related to the subject will be circulated on the intranet and the corporate website, informing stakeholders of the Company’s determination, policy, preventative measures regarding ethical corporate management, as well as consequences of violating the Company’s ethical management regulations. The aforementioned information is also sent to the directors of the Board for reference.
3. The Company’s personnel in investment-related departments (e.g. the investment trader) should comply with the “Self-Regulatory Guidelines for Asset Management of Insurance Companies” and the “Code of Conduct for Personnel Related to Domestic Equity Investment” to avoid conflicts of interest, insider trading or non-arm’s length transaction. The Company also cascades the said regulations to the aforementioned personnel in investment-related departments when they first onboard; and irregularly promotes ethical principles, prohibited behaviors and trading declaration regulations, in order to

prevent related personnel's conflicts of interest in investment matters.

(2) Information control:

Offices of the Company are arranged by various departments. System accounts and authorization are set up based on job responsibilities and the functions of each department in compliance with duties and job contents. To better control and manage the Company's classified information and transmission of sensitive data containing personal information, the Company establishes a protection mechanism to keep electronic data safe (which relevant personnel need to comply with), so as to prevent from data leak risk resulting in events of conflicts of interest.

(3) Firewall design:

1. The Company's employees related to domestic equity investment should monthly report all transactions made by themselves, their spouse, minor children and their representations. The responsible unit periodically reviews the employees' report contents to see if there is any event of conflicts of interest. If there is any wrongdoing, appropriate measures will be taken.
2. To safeguard rights and interests of shareholders and customers, and avoid conflicts of interest, the Company formulates regulations such as the "Code of Conduct for Office Employees", the "Operating Procedures for Engaging in Extending Loans with Interested Parties", the "Operating Procedures for Engaging in Transactions other than Loans with Interested Parties", etc. to regulate employees executing their duties. This way deviated behaviors arising due to personal interest can be avoided. A database of interested parties is established to manage and control procedures of interested party transaction, in order to further avoid conflicts of interest with interested parties and ensure interests of shareholders and customers.

(4) Division of responsibilities:

Each of the Company's business units should stipulate clear standards of authorization

tiers for different types of businesses and transactions. And personnel at each tier shall execute respective operation within the authorized scope and limit.

(5) Detection, supervision and control mechanisms:

1. The Company formulates relevant regulations to manage and control information and telecommunication equipment of traders at the office and in the trading room, ensuring relevant personnel are in compliance with the regulations and implementing prevention mechanisms for conflicts of interest.
2. The whistleblowing system is stipulated in the Company's "Ethical Corporate Management Best Practice Principles" and relevant regulations. It is disclosed on the intranet, the corporate website and the market observation post station of the insurance companies for office staff and sales agents' compliance and understanding. If the Company's office staff or office staff discovered any violation of the Company's ethical corporate management regulations made by the Company's employees, or any other criminal acts, frauds or violation of laws and regulations, they can report the event through the Company's whistleblowing channels.

(6) Reasonable remuneration system::

For senior managers, the Company establishes the remuneration standards that should be reviewed and approved by the Remuneration Committee and the Board of Directors. To ensure the remuneration of senior managers is bundled with long-term interest of the Company and shareholders, the Company formulates regulations on performance evaluation, management remuneration payout and bonus disbursement. This will ensure that senior managers' performance index setting is linked with the Company's goals and has no conflicts of interest.

(7) Remedies:

If any major event of conflicts of interest takes place in the Company, harming the Company's reputation or financial stability, the Company

shall explain the event and handling process to customers, shareholders or stakeholders on the corporate website.

### **Principle III. Continue to monitor investee companies**

The Company should continue to monitor investee companies, in order to evaluate the impact of relevant information on long-term values for investee companies, customers and shareholders, in order to determine the approach and time of further dialogues and interaction with investee companies. The results will serve as a reference for future investment decisions. The Company shall take into consideration investment purposes, benefits and impacts on business sustainability to determine targeted information types, degrees and frequency. The information types include industry overview, opportunity and risk, shareholder structure, business strategy, operation overview, financial status, financial performance, cash flow, stock price and ESG topics, etc.

### **Principle IV. Maintain an appropriate dialogue and interaction with investee companies**

The purpose of maintaining an appropriate dialogue and interaction with investee companies aims to gain a deeper understanding of the management of investee companies on significant issues and express opinions to them, in order to strengthen corporate governance.

- (1) Through appropriate communication and interaction with investee companies, the Company is able to gain a better understanding of investees' management strategies and the risks they face. It is committed to reaching a certain level of consensus over long-term value creation with investees.
- (2) Through conference calls, face-to-face interaction, and participation in analyst calls, regular shareholders' meetings, or major ad-hoc shareholders' meetings, the Company is able to communicate with the management of investees.
- (3) Should investees significantly violate the Company's principles of corporate governance, or damage the long-term values of the Company's customers and shareholders, the Company will inquire the management of investees about

approaches adopted to process the situation. The Company may make appeals jointly with other investors.

**Principle V. Formulate and disclose specific voting policies and disclose voting results**

The Company's voting policies are as follows:

- (1) Exercise of the Company's voting rights: In principle, the Company will send representatives to exercise its voting rights at shareholders' meetings of investee companies or via electronic voting. In addition, in alignment with the policy of Taiwan Depository and Clearing Co. (TDCC), if an investee company provides electronic voting, the Company will exercise voting rights electronically as its primary option.
- (2) Before attending shareholders meetings of investee companies, the Company shall cautiously evaluate agenda items of each shareholders' meeting, and engage with the management of investee companies for better understanding and communications before shareholders' meetings. An analysis report will be completed before the Company exercises its voting rights, and the written record on exercising voting rights will be reported to the Board of Directors.
- (3) The Company respects the professional management of its investee companies. When it comes to significant items in business operation, the Company will support the items in principle. However, in terms of significant ESG-related items, the Company shall not support items that violate corporate governance (e.g. misrepresented financial statements, improper remuneration for directors and supervisors), and items with negative environmental (e.g. environmental pollution) or social impacts (human rights violation, labor exploitation, etc.). The Company shall neither support the items that violate the Company's "Policy for Responsible Investment" nor resolutions that will jeopardize long-term value for the Company's customers and shareholders.
- (4) The Company actively participates in shareholders' meetings of investee companies and complies with the Insurance Act and relevant regulations. Before exercising voting rights,

the Company will carefully evaluate each agenda item. Under restriction by laws or regulations that prohibit the Company from casting votes, the Company shall waive its voting power.

- (5) In order to make the Company's customers and shareholders understand better the Company's participation in shareholders' meetings of investee companies, the Company will annually disclose relevant information on the corporate website.

**Principle VI. Periodically disclose execution of stewardship**

The Company discloses its execution of stewardship on the corporate website annually, including this statement of compliance, explanations for partial principle non-compliance, participation in investees' shareholders meetings, compiled voting results, channels for shareholder communication, and other major items.

**Principle VII. Service providers shall provide institutional investors with services that can help them fulfill stewardship responsibilities**

The Company may outsource part of their stewardship activities (e.g. to provide voting advice or to cast proxy votes) to other professional service providers. The Company must, through agreements or monitoring, ensure that service providers act in accordance with its requests.